



Prospectus

**for the public offering
in the Federal Republic of Germany**

of

9,200,000 ordinary bearer shares with no par value (*Stückaktien*), consisting of

- (i) 2,000,000 ordinary bearer shares with no par value (*Stückaktien*) to be newly issued,
- (ii) 6,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders,
and
- (iii) 1,200,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders
for purposes of a potential over-allotment,

and at the same time

**for the admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange
(*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission
obligations (Prime Standard)**

of

up to 20,000,000 ordinary bearer shares with no par value (*Stückaktien*)

– each share with a proportionate amount of EUR 1.00 in the share capital and with full dividend rights as from January 1,
2021 –

of

**Friedrich Vorwerk Group SE
Tostedt, Germany**

Price Range: EUR 41.00 – EUR 56.00

International Securities Identification Number (ISIN): DE000A255F11

German Securities Code (*Wertpapier-Kennnummer*, WKN): A25 5F1

Trading Symbol: VH2

Joint Global Coordinators and Joint Bookrunners

Berenberg

Jefferies

Joint Bookrunner

Hauck & Aufhäuser

The date of this prospectus is March 15, 2021

Warning regarding the validity of the Prospectus

The validity of the Prospectus will expire at the end of the first day of trading in the Company's shares which is expected to occur on or about March 25, 2021. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

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I. SUMMARY OF THE PROSPECTUS

A. Introduction and Warnings

This prospectus (the "**Prospectus**") relates to shares of Friedrich Vorwerk Group SE, a European stock corporation (*Societas Europaea*) with its registered seat at Niedersachsenstraße 19-21, 21255 Tostedt, Federal Republic of Germany (hereinafter also "**Germany**"), Legal Entity Identifier ("**LEI**") 529900NBM89YAM5ENI18, telephone: +49 (0) 4182 1047, website: www.friedrich-vorwerk.de (the "**Company**" and, together with its consolidated subsidiaries, the "**Vorwerk Group**", "**we**", "**our**" and "**us**"). The international securities identification number ("**ISIN**") of the Company's shares is DE000A255F11.

The shares of the Company will be offered by the Company, together with Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Hamburg, Germany, under the number HRA 42659, LEI 529900UC2OD7II24Z667 ("**Berenberg**") and Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany under the number HRB 108812, LEI 5493004I3LZM39BWHQ75 ("**Jefferies**") (together, the "**Joint Global Coordinators**"), Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Kaiserstraße 24, 60311 Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under the number HRB 108617, LEI 5299000OZP78CYPYF471 ("**Hauck & Aufhäuser**") (together with the Joint Global Coordinators, the "**Joint Bookrunners**") and Jefferies International Limited, 100 Bishopsgate, London EC2N 4JL, United Kingdom, registered under the number 01978621, LEI S5THZMDUJCTQZBTRVI98 ("**Jefferies International**" or the "**Placement Agent**"). The Company and the Joint Bookrunners have applied for the admission to trading of the Shares and assume responsibility for the contents of this Prospectus.

The Prospectus is dated March 15, 2021 and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") as competent authority under Regulation (EU) 2017/1129 on that date. BaFin can be contacted at Marie-Curie-Str. 24–28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website www.bafin.de.

This summary should be read as an introduction to the Prospectus. Any decision to invest in the shares of the Company should be based on consideration of the Prospectus as a whole by the investor. Investors could lose all or part of their invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate, or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the shares of the Company.

B. Key Information on the Issuer

(i) Who is the issuer of the securities?

The issuer of the securities is the Company, Friedrich Vorwerk Group SE. The Company is incorporated as a European stock corporation (*Societas Europaea*) under the laws of Germany. It operates under the commercial name Friedrich Vorwerk. The Company's registered seat is at Niedersachsenstraße 19-21, 21225 Tostedt, Germany, and it is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany, under HRB 208170. The Company's LEI is 529900NBM89YAM5ENI18.

The Company was established in October 2019 and became the parent company of the Vorwerk Group in November 2020, when MBB SE, a European stock corporation (*Societas Europaea*) established under the laws of Germany registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin under the number HRB 165458 ("**MBB**"), and ALX Beteiligungsgesellschaft mbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung* or *GmbH*) registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt under the number HRB 207063 ("**ALX**" and together with MBB, the "**Selling Shareholders**"), contributed a total of 89.925% of the shares in Friedrich Vorwerk SE & Co. KG (formerly Friedrich Vorwerk KG (GmbH & Co.) ("**Vorwerk KG**"), until such contribution in November 2020 the parent company of the Vorwerk Group, to the Company by way of a capital increase in kind. For the time period before such contribution, the terms "**Vorwerk Group**", "**we**", "**our**" and "**us**" refer to Vorwerk KG together with its consolidated subsidiaries.

a. Principal activities

We believe we are a leading fully integrated solution provider for critical on-shore energy transformation and transportation infrastructure ("**critical on-shore energy infrastructure**") in Germany and Europe. We are active in the "midstream" sector of the market, *i.e.*, we design, manufacture, install, operate and service critical onshore energy infrastructure across the entire value chain through which energy sources and energies such as raw natural gas, wind energy and solar energy are transformed into usable natural gas, electricity and clean hydrogen and are then transported by our customers (mainly transmission system operators and energy and industrial companies) to their end-user customers. We provide our services to our customers on both a large project turnkey basis as a one-stop shop and in connection with customized projects for specialized solutions. We also

provide aftermarket services to maintain, operate and service the critical on-shore energy infrastructure of our customers. As a result, we believe we play a critical role in securing the energy supply and enabling the clean energy transition in Germany. Our business is divided into four separate segments: (i) Natural Gas, (ii) Electricity, (iii) Clean Hydrogen, and (iv) Adjacent Opportunities. Our Natural Gas segment involves the transportation and transformation of raw natural gas into conditioned natural gas for our customers. Our Electricity segment is focused on the underground transportation and transformation of electricity produced from climate-friendly, non-fossil energy sources such as wind, solar, water and renewable raw materials. Our Clean Hydrogen segment involves the transformation of energy produced from climate friendly energy sources into clean hydrogen as well as its transportation to end-users. In our Adjacent Opportunities segment we bundle all other projects and partial projects that do not fall into any of the above three segments but require related or similar technological approaches. We benefit from organic growth fueled by the clean energy transition in Europe and our existing footprint in our natural gas and electricity businesses as well as from our strategic acquisitions, notably the acquisition of Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH at the end of the fiscal year 2019 (these acquired companies together, "**Bohlen & Doyen**"). We are primarily focused on the German market and are continuing our European expansion in the BeNeLux countries and later in Spain.

b. Major shareholders

As of the date of the Prospectus, 66.7% of the share capital of and voting rights in the Company are held by MBB and 33.3% of the share capital of and voting rights in the Company are held by ALX. As of the same date, the Company is therefore directly controlled by MBB.

c. Key managing directors

The Company's management board consists of Torben Kleinfeldt as chief executive officer ("**CEO**") and Tim Hameister as chief financial officer ("**CFO**").

d. Statutory auditors

For the fiscal years ended December 31, 2020 and December 31, 2019, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Str. 4, 40474 Duesseldorf ("**RSM**") was appointed as auditor of the Company and Vorwerk KG, as applicable.

(ii) What is the key financial information regarding the Issuer?

The audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 and the audited consolidated financial statements of Vorwerk KG as of and for the fiscal year ended December 31, 2019 were prepared by the Company or Vorwerk KG (as applicable) in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The financial information as of and for the fiscal year ended December 31, 2018 has been taken or derived from the audited consolidated financial statements of Vorwerk KG as of and for the fiscal year ended December 31, 2019. The audited unconsolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020 were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*).

a. Key financial information from the consolidated income statement

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like) ⁽¹⁾		2019	2018
	2020	2019		
(audited, except as otherwise noted)				
Revenue	291,791	277,013	179,331	105,873
Total performance ⁽²⁾	305,921	290,488	190,725	111,946
EBITDA	58,822	56,190	41,807	21,079
EBIT	47,468	45,361	33,831	13,651
Net finance costs ⁽³⁾	(4,747)	(813)	(734)	(1,064)
Profit before taxes (EBT)	42,721	44,547	33,097	12,586
Net Profit	30,559	36,550	28,385	10,446
Consolidated profit/loss (earnings) per share (unaudited) ⁽⁴⁾	1.70	2.03	1.58	0.58

(1) Following the consolidation of Bohlen & Doyen as of December 2019, the items contained in the consolidated income statement of the audited consolidated financial statements as of and for the year ended December 31, 2020 changed significantly as compared to the audited consolidated financial statements as of and for the year ended December 31, 2019. In order to improve the comparability of the aforementioned financial statements, we prepared like-for-like financial information for all income statement line items in the notes to our audited consolidated financial statements 2020 as of and for the year ended December 31, 2020 (the "**Like-for-Like Financial Information**"). The Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen had been part of the Vorwerk Group for the entire fiscal year 2019.

(2) "Total performance" represents the sum of revenue, increase / decrease in finished goods and work in progress, income from initial consolidation, income from joint ventures and other operating income.

(3) Calculated as other interest and similar income minus interest and similar expenses. Net finance costs for the fiscal year ended December 31, 2020 includes net profits attributable to non-controlling interests (*Kommanditisten*) of Vorwerk KG in the amount of EUR 3,857, recorded under financial costs as such non-controlling interests are treated as liabilities. These arose for the first time in the fiscal year 2020 as a result of the consolidation of Vorwerk KG within the Company's consolidated financial statements.

- (4) Attributable to the owners of the parent company in accordance with IFRS. Figures based on 18,000,000 shares, each with a proportionate amount of EUR 1.00 in the Company's share capital, which corresponds to the number of shares of the Company as of the date of the Prospectus.

b. Key financial information from the consolidated statement of financial position

	As of December 31,		
	2020	2019	2018
(in EUR thousand)	(audited)		
Non-current assets.....	72,009	61,270	38,038
Current assets.....	104,903	106,197	48,712
Total assets.....	176,912	167,466	86,750
Total equity.....	63,604	37,880	23,661
Non-current liabilities.....	42,793	37,295	21,757
Current liabilities.....	70,515	92,291	41,332
Total equity and liabilities.....	176,912	167,466	86,750

c. Key financial information from the consolidated statement of cash flows

	For the fiscal year ended December 31,		
	2020	2019	2018
(in EUR thousand)	(audited)		
Cash flows from operating activities.....	33,319	59,153	19,767
Cash flows from investing activities.....	(20,402)	(4,018)	(5,665)
Cash flows from financing activities.....	(20,144)	(11,619)	(8,415)

d. Key performance indicators, alternative performance measures and other operating metrics

	As of and for the fiscal year ended December 31,			
	(Like-for-Like)			
(in EUR thousand, except as otherwise noted)	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Alternative Performance Measures⁽²⁾				
Adjusted Revenue ⁽²⁾	291,228	269,487	179,094	-
Adjusted EBITDA ⁽³⁾	58,570	49,988	36,629	19,917
Adjusted EBIT ⁽⁴⁾	47,394	39,500	28,898	13,191
Adjusted Net profit ⁽⁵⁾	30,521	30,931	23,393	9,785
Equity ratio (in %) (audited).....	36.0%	22.6%	22.6%	27.3%
Net Debt (-) / Net Cash (+) ⁽⁶⁾	27,851	31,828	31,828	(5,884)
Other Operating Metrics				
Order intake ⁽⁷⁾	312,524	292,781	290,703	124,176
Order backlog as of December 31 ⁽⁷⁾	306,508	285,775	285,775	174,403
Adjusted Revenue per employee ⁽⁸⁾	227	214	208	148

- (1) In this Prospectus, we present alternative performance measures as (i) supplemental information because they are used by our management to measure operating performance, including in presentations to our management, and as a basis for strategic planning and forecasting, and (ii) they represent measures that we believe are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance.
- (2) Calculated based on the revenue as reported adjusted for the revenue contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward (2020: Revenue: EUR 563 thousand; 2019 like-for-like: Revenue: EUR 7,526 thousand; 2019 (actual): Revenue: EUR 237 thousand)
- (3) Adjusted EBITDA represents our EBITDA as reported adjusted for income from initial consolidation, which is due to the "Badwill" realized in connection with acquisitions, and minus the EBITDA contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.
- (4) Adjusted EBIT is based on our Adjusted EBITDA minus depreciation and amortization (as reported) and adjusted for depreciation and amortization on assets capitalized in connection with purchase price allocations.
- (5) Adjusted Net profit is based on our Adjusted EBIT minus financial income and financial costs, income taxes and other taxes (each as reported) and adjusted for deferred taxes in connection with purchase price allocations and for taxes attributable to the offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.
- (6) Calculated by subtracting the Company's total short-term and long-term liabilities to banks and leasing liabilities from its total cash and cash equivalents as shown in the consolidated statement of financial position. A negative amount indicates a net debt position, while a positive amount indicates a net cash position.
- (7) "Order intake" is defined as the annually compounded volume of legally binding orders as well as the determinable revenue from framework agreements based on historical data and "Order Backlog" is defined as the remaining projected revenue under binding agreements for individual projects with customers not yet recognized as revenue of such orders as well as the determinable revenue from framework agreements based on historical data at a certain point in time. We use order intake as an important alternative performance measure to estimate future revenue and work load.
- (8) Calculated based on the Adjusted Revenue as shown in this table and the average number of employees for the respective periods.

(iii) What are the key risks that are specific to the issuer?

An investment in the Company's shares is subject to a number of risks, some of which are presented in this section and under section "C. (iii) What are the key risks that are specific to the securities?" of this summary. The occurrence of any of the following

risks, individually or together with other circumstances, could have a material adverse effect on the Company's business, results of operations, financial position and cash flows.

The following risks are key risks specific to us:

- If the market for critical on-shore energy infrastructure ceases to grow or shrinks, this would adversely affect our revenue.
- If the relative costs of clean hydrogen do not become competitive in the future, more cost-effective transport and storage technologies are developed, or clean hydrogen can be cost effectively transported through the natural gas pipeline infrastructure, our business and prospects may be adversely affected.
- We currently face competition from established competitors in the market for critical on-shore energy infrastructure solutions and expect to face competition from others in the future.
- Any failure to develop the necessary technology to harness and convert clean hydrogen, including our critical on-shore energy infrastructure solutions, to usable energy transport and storage means for industry, transportation and heating purposes could impede the development of the clean energy market and have a material adverse effect on the growth potential of our overall business.
- We are exposed to calculation and execution risks relating to our engagement in the design, construction, installation and servicing of individual projects, including large-scale turnkey projects, in the critical on-shore energy infrastructure industry and the framework agreements under which we provide these engagements.
- We participate in both public and private tender offer processes as part of our business. The failure to obtain new contracts in such tender processes, some of which are substantial large-scale projects, may adversely affect our revenue.
- We rely on a limited number of large key customers, the loss of which could materially adversely affect our business.
- If we are unable to attract or retain key employees and qualified management personnel, or have to rely disproportionately on specialized subcontractors, our ability to compete could be harmed, and we may have difficulty in fulfilling existing contracts because of lack of qualified capacity.
- We face risks resulting from acquisitions, including difficulties regarding the integration of the acquired business. Similar risks exist in connection with entering into or exiting from joint ventures with partners.
- We are subject to a number of regulatory requirements and risks, as a result of which we may incur significant costs, liabilities and obligations.

C. Key Information on the Securities

(i) What are the main features of the securities?

The Prospectus relates to ordinary bearer shares with no par value (*Stückaktien*), each with a proportionate amount of EUR 1.00 in the Company's share capital and full dividend rights as from January 1, 2021, with the ISIN: DE000A255F11. All shares of the Company are of the same class and denominated in Euro.

Each of the Company's shares entitles the shareholder to one vote at the shareholders' meeting. No restrictions exist on voting rights. The Company's shares are subordinated to all other securities and claims in case of an insolvency of the Company; all shares are entitled to a share of any distributable liquidation proceeds or insolvency surpluses at the ratio of their share in the share capital. Subject to customary lock-up commitments by the Company and the Selling Shareholders, in each case for 180 days after commencement of trading in the Company's shares, as well as selling restrictions applicable to international sales, the Company's shares are freely transferable in accordance with the legal requirements for ordinary bearer shares.

Subject to the availability of distributable profit (*Bilanzgewinn*) and distributable funds, the Company aims to distribute 10% to 20% of its consolidated net income pursuant to IFRS in the short and medium term. In the long term, the Company targets to distribute approximately 20% to 30% of its consolidated net income pursuant to IFRS.

(ii) Where will the securities be traded?

The Company has applied, together with the Joint Bookrunners, for admission of its shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard).

(iii) What are the key risks that are specific to the securities?

The following risks are key risks specific to the Company's shares:

- There is no existing market for the Company's shares and an active or liquid market might not develop for the Company's shares.
- Even if all offered shares are placed in the Offering, our largest shareholder MBB will be able to continue to exercise substantial influence over the Company and its business activities. The interests of our largest shareholder could conflict with the interests of our other shareholders.
- Future sales of Company's shares or anticipated sales of a substantial number of Company's shares or similar transactions conducted by the Selling Shareholders or other groups of shareholders could adversely affect the Share price.

D. Key Information on the Offer of Securities to the Public and Admission to Trading on a Regulated Market

(i) Under which conditions and timetable can I invest in this security?

a. Scope of the Offering

The offer relates to 9,200,000 shares of the Company (the "**Offering**"), consisting of (i) 2,000,000 ordinary bearer shares with no par value (*Stückaktien*) to be newly issued from a capital increase against contribution in cash expected to be resolved by an extraordinary shareholders' meeting of the Company on or about March 18, 2021 and expected to be consummated on or about March 23, 2021 (the "**New Shares**"), (ii) 6,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of Selling Shareholders (the "**Secondary Shares**"); and (iii) 1,200,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders to cover potential over-allotments (the "**Over-Allotment Shares**" and, together with the New Shares and the Secondary Shares, the "**Offer Shares**").

The Offering consists of (i) a public offering in Germany, (ii) private placements in certain jurisdictions outside the United States of America ("**United States**" or "**U.S.**") in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (iii) private placements in the United States only to persons reasonably believed to be qualified institutional buyers as defined in Rule 144A under the Securities Act. The Offer Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

b. Anticipated timetable

The anticipated timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

March 15, 2021	Approval of the Prospectus by BaFin; publication of the Prospectus on the Company's website Commencement of the period during which investors can submit purchase orders for the Offer Shares (the " Offer Period ")
March 23, 2021	Close of the Offer Period at (i) 12:00 (CET) for private investors (natural persons) and (ii) 14:00 (CET) for institutional investors; determination and publication of the final offer price (the " Offer Price ") and final number of shares allocated Consummation of capital increase for the New Shares to be placed in connection with the Offering; admission decision to be issued by the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>)
March 25, 2021	Commencement of trading in the Company's shares on the regulated market (<i>regulierter Markt</i>) of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) and the sub-segment thereof with additional post-admission obligations (Prime Standard)
March 26, 2021	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

c. Terms of the Offering

The price range within which purchase orders may be placed is from EUR 41.00 to EUR 56.00 per Offer Share (the "**Price Range**"). The Company and the Joint Global Coordinators reserve the right, after consultation with the Selling Shareholders, to increase or decrease the total number of Offer Shares, to increase or decrease the upper and/or lower limit of the Price Range and/or to extend or shorten the Offer Period. The Offer Price will be set on the basis of purchase orders submitted by investors during the Offer Period that have been collected in the order book during the bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the Offer Price is, in principle, aimed at achieving the highest Offer Price.

d. Plan for distribution

The allotment of Offer Shares to retail investors and institutional investors will be decided by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. The allocation to retail or private investors (individuals) will be in accordance with the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) (i.e., drawing lots, allotment according to order size, allotment by means of a specific quote, allotment after the point in time of receipt of the purchase offer or selection according to other objective criteria). In addition, members of the management and supervisory bodies of Vorwerk Group and MBB intend to purchase Offer Shares at the Offer Price and they will receive a preferential allocation in connection with the Offering (the "**Preferential Allocation**"). The amount of Offer Shares allocated to the aforementioned persons will not exceed 1.5% of the Offer Shares. As part of the Preferential Allocation, the CFO of the Company, Tim Hameister, intends to purchase 6,000 Offer Shares at the Offer Price. Mr. Tim Hameister has committed not to sell or dispose such Offer Shares without prior written consent of the Company and the Joint Global Coordinators, which consent may not unreasonably be withheld or delayed, or to enter into certain other transactions regarding the Offer Shares acquired as part of the Offering for a minimum period of 360 days beginning at the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

e. *Stabilization measures, over-allotment and greenshoe option*

In connection with the placement of the Offer Shares, Berenberg, or persons acting on its behalf, will act as stabilization manager on behalf of the Joint Bookrunners and may, in accordance with legal requirements, take stabilization measures to support the market price of the Company's shares during a period ending no later than 30 calendar days after the date of the commencement of trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) – which is expected to be on or about March 25, 2021 – and thereby counteract any selling pressure. The number of Over-Allotment Shares which may be allotted must not exceed 15% of the sum of the allotted New Shares and Secondary Shares. The stabilization manager is under no obligation to take any stabilization measures. Under the possible stabilization measures, investors may, in addition to the New Shares and the Secondary Shares be allotted Over-Allotment Shares. In connection with potential over-allotments, the Selling Shareholders will grant the Joint Bookrunners an option to acquire all or part of the allotted Over-Allotment Shares against payment of the Offer Price less agreed commissions ("**Greenshoe Option**", and any such Over-Allotment Shares purchased upon exercise of the Greenshoe Option, the "**Greenshoe Shares**").

f. *Dilution*

As of December 31, 2020, the net asset value attributable to the shareholders of the Company in its consolidated statement of financial position based on the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020, calculated as total assets less total liabilities, amounted to EUR 63,604 thousand, which corresponds to EUR 3.53 per share based on 18,000,000 outstanding shares immediately prior to the Offering.

Assuming a placement of 2,000,000 New Shares at the mid-point of the Price Range, after completion of the Offering, the net asset value attributable to the shareholders as of December 31, 2020, would amount to EUR 7.65 per share, which would correspond to an immediate accretion of EUR 4.12 per share, or 116.5%, for the existing shareholders, and a direct dilution of EUR 40.85 per share, or 84.2%, for the new shareholders.

g. *Expenses*

The costs related to the Offering of the Offer Shares and listing of the Company's entire share capital at the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) are expected to total approximately EUR 43.1 million (of which the Company estimates that the costs for the Company will be approximately EUR 7.6 million and that the costs for the Selling Shareholders will be approximately EUR 35.5 million), assuming a placement of 2,000,000 New Shares and 6,000,000 Secondary Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option, payment of an Offering-related bonus to the Company's CFO, executives of the Vorwerk Group and members of the management of MBB as well as the payment in full of a discretionary fee.

Investors will not be charged expenses by the Company, the Selling Shareholders or the Joint Bookrunners (in their capacity as underwriters). Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

(ii) Who is the offeror and/or the person asking for admission to trading?

In addition to the Company, the Offer Shares will be offered by Joh. Berenberg, Gossler & Co. KG, a limited partnership (*Kommanditgesellschaft*) with its registered seat in Hamburg, Germany, Jefferies GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) with its registered seat in Frankfurt, Germany and Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) with its registered seat in Frankfurt, Germany, each incorporated in, and operating under the laws of Germany. The Company has applied for admission to trading together with the Joint Bookrunners on March 11, 2021.

(iii) Why is this prospectus being produced?

a. *Reasons for the Offering and listing*

The Company intends to expand its equity and generate cash proceeds from the Offering to set the basis for sustainable and profitable growth. The proceeds are intended to be primarily used (i) to capture structural growth trends by focusing on technological solutions toward the clean energy transition and the use of clean hydrogen, (ii) to drive profitable growth by leveraging on existing client relationships and technologies, (iii) to continue the European expansion, and (iv) to enable the Vorwerk Group to use strategic acquisition opportunities as a catalyst to accelerate future growth. With regards to (i) and (iii), the Company intends to spend an estimated cumulative amount of EUR 75 million over the course of the next three to five years, of which approximately (i) one third shall be invested in a hydrogen lab as its center for hydrogen focused research and development activities, including the installation of an electrolyzer that shall not only serve as a demonstration plant for customers, but shall also produce green hydrogen for the de-carbonization of the Vorwerk Group's own fleet and machinery, (ii) one third shall be invested in the Vorwerk Group's plant construction division including hydrogen-specific high-precision manufacturing technologies and calibration systems and (iii) one third shall be invested in digitalized energy infrastructure solutions and the Vorwerk Group's European expansion, particularly in the BeNeLux countries (*i.e.*, Belgium, Netherlands and the Grand Duchy of Luxembourg) and later in Spain.

b. Use and estimated net amount of proceeds

The Company intends to use the estimated net proceeds from the offering of the New Shares in the amount of approximately EUR 89.4 million (assuming a placement of 2,000,000 New Shares at the mid-point of the Price Range and payment in full of a discretionary fee) to set the basis for sustainable and profitable growth as described above.

Assuming a placement of 6,000,000 Secondary Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option and payment in full of a discretionary fee, the Company estimates that the net proceeds to the Selling Shareholders would amount to approximately EUR 313.7 million.

c. Underwriting agreement

The Company, the Selling Shareholders, the Joint Bookrunners and the Placement Agent entered into an underwriting agreement in relation to the coordination, structuring and implementation of the Offering on March 15, 2021 (the "**Underwriting Agreement**"). In the Underwriting Agreement, the Joint Bookrunners have undertaken to acquire the Offer Shares with a view to offering them to investors in the Offering, subject to various conditions, in particular the execution of a pricing and volume agreement. The Placement Agent has undertaken to perform, on behalf of Jefferies and in connection with the Offering, all regulated services outside the European Union or any member state of the European Economic Area. The Underwriting Agreement does not include a firm commitment by the Underwriters to acquire the Offer Shares.

d. Material conflicts of interest pertaining to the offer or the admission to trading

The Joint Bookrunners act for the Company and the Selling Shareholders in connection with the Offering and the coordination, structuring and implementation of the Offering. In addition, Berenberg has been mandated to act as designated sponsor for the Company's shares and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, has been appointed to act as paying agent. Upon successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the success of the Offering. In addition, some of the Joint Bookrunners, the Placement Agent or their affiliates have, and may from time to time in the future continue to have, business relations with the Vorwerk Group (including lending activities) or may perform services for the Vorwerk Group in the ordinary course of business.

The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and the Over-Allotment Shares. Accordingly, the Selling Shareholders have an interest in the successful completion of the Offering.

The Company's CEO Torben Kleinfeldt and the chairman of the supervisory board, Dr. Christof Nesemeier, are indirect shareholders of the Company and have an interest in the success of the Offering at the best possible terms.

Furthermore, as part of the Preferential Allocation, members of the management and supervisory bodies of Vorwerk Group and MBB, including the Company's CFO Tim Hameister, intend to purchase Offer Shares at the Offer Price. In addition, the Company's CFO, executives of the Vorwerk Group as well as members of the management of MBB will receive a bonus, which is dependent on the success of the Offering. Accordingly, they have an interest in the successful completion of the Offering.

II. ZUSAMMENFASSUNG DES PROSPEKTS

(German Translation of the Summary of the Prospectus)

A. Einleitung und Warnhinweise

Dieser Prospekt (der "**Prospekt**") bezieht sich auf Aktien der Friedrich Vorwerk Group SE, einer europäischen Aktiengesellschaft (*Societas Europaea*) mit Sitz in der Niedersachsenstraße 19-21, 21255 Tostedt, Bundesrepublik Deutschland (im Folgenden auch "**Deutschland**"), Legal Entity Identifier ("**LEI**") 529900NBM89YAM5ENI18, Telefon: +49 (0) 4182 1047, Website: www.friedrichvorwerk.de (die "**Gesellschaft**" und, zusammen mit ihren konsolidierten Tochtergesellschaften, die "**Vorwerk Gruppe**", "**wir**", "**unser**" und "**uns**"). Die internationale Wertpapier-Identifikationsnummer ("**ISIN**") der Aktien der Gesellschaft lautet DE000A255F11.

Die Aktien der Gesellschaft werden von der Gesellschaft gemeinsam mit Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Deutschland, eingetragen im Handelsregister des Amtsgerichts Hamburg, Deutschland, unter der Nummer HRA 42659, LEI 529900UC20D7II24Z667 ("**Berenberg**") und Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Deutschland, eingetragen im Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, unter der Nummer HRB 108812, LEI 5493004I3LZM39BWHQ75 ("**Jefferies**") (zusammen die "**Joint Global Coordinators**"), Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Kaiserstraße 24, 60311 Frankfurt am Main, Deutschland, eingetragen im Handelsregister des Amtsgerichts Frankfurt am Main, Deutschland, unter der Nummer HRB 108617, LEI 529900OOZP78CYPYF471 ("**Hauck & Aufhäuser**") (zusammen mit den Joint Global Coordinators, die "**Joint Bookrunners**") und Jefferies International Limited, 100 Bishopsgate, London EC2N 4JL, Vereinigtes Königreich, eingetragen unter der Nummer 01978621, LEI S5THZMDUJCTQZBTRVI98 ("**Jefferies International**" oder der "**Platzierungsagent**") angeboten. Die Gesellschaft und die Joint Bookrunners haben die Zulassung zum Handel der Aktien beantragt und übernehmen die Verantwortung für den Inhalt dieses Prospekts.

Der Prospekt datiert vom 15. März 2021 und wurde von der Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**") als zuständige Behörde gemäß der Verordnung (EU) 2017/1129 an diesem Tag gebilligt. Die BaFin ist erreichbar unter Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch unter +49 228 4108-0 oder über ihre Website www.bafin.de.

Diese Zusammenfassung sollte als Einleitung zu dem Prospekt verstanden werden. Bei jeder Entscheidung, in die Aktien der Gesellschaft zu investieren, sollte sich der Anleger auf den Prospekt als Ganzes stützen. Anleger können das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über die Emittentin

(i) Wer ist die Emittentin der Wertpapiere?

Die Emittentin der Wertpapiere ist die Gesellschaft, Friedrich Vorwerk Group SE. Die Gesellschaft ist eine Europäische Aktiengesellschaft (*Societas Europaea*) nach deutschem Recht. Sie ist unter ihrer kommerziellen Bezeichnung Friedrich Vorwerk tätig. Der Sitz der Gesellschaft ist Niedersachsenstraße 19-21, 21225 Tostedt, Deutschland, und sie ist im Handelsregister des Amtsgerichts Tostedt, Deutschland, unter HRB 208170 eingetragen. Die LEI der Gesellschaft lautet 529900NBM89YAM5ENI18. Die Gesellschaft wurde im Oktober 2019 gegründet und wurde im November 2020 zur Muttergesellschaft der Vorwerk Gruppe, als MBB SE, eine europäische Aktiengesellschaft nach deutschem Recht (*Societas Europaea*), eingetragen im Handelsregister des Amtsgerichts Berlin unter der Registernummer HRB 165458 ("**MBB**"), und ALX Beteiligungsgesellschaft mbH, eine Gesellschaft mit beschränkter Haftung, eingetragen im Handelsregister des Amtsgerichts Tostedt unter der Registernummer HRB 207063 ("**ALX**" und zusammen mit MBB, die "**Abgebenden Aktionäre**") insgesamt 89,925% der Anteile an der Friedrich Vorwerk SE & Co. KG (vormals Friedrich Vorwerk KG (GmbH & Co.), ("**Vorwerk KG**"), die bis zu dieser Einbringung im November 2020 die Muttergesellschaft der Vorwerk-Gruppe war, im Wege einer Sachkapitalerhöhung in die Gesellschaft eingebracht haben. Für den Zeitraum vor dieser Einbringung beziehen sich die Begriffe "**Vorwerk Gruppe**", "**wir**", "**unser**" und "**uns**" auf die Vorwerk KG, gemeinsam mit ihren konsolidierten Tochtergesellschaften.

a. Haupttätigkeiten der Emittentin

Wir sehen uns als einen führenden Anbieter von Lösungen für kritische Überboden-Energieumwandlungs- und -transportinfrastruktur ("**kritische Onshore-Energieinfrastruktur**") in Deutschland und Europa. Wir sind im Bereich "Midstream" aktiv, d.h. wir planen, fertigen, installieren, betreiben und warten kritische Onshore-Energieinfrastruktur über die gesamte Wertschöpfungskette, durch die Energiequellen und Energien wie Roh-Erdgas, Windenergie und Solarenergie in nutzbares Erdgas, Elektrizität und sauberen Wasserstoff umgewandelt und dann von unseren Kunden (hauptsächlich Übertragungsnetzbetreiber und Energie- und Industrieunternehmen) zu ihren Endkunden transportiert werden. Wir erbringen unsere Dienstleistungen für unsere Kunden sowohl im Rahmen von schlüsselfertigen Großprojekten, bei denen wir das gesamte Gewerk liefern und installieren, als auch in Verbindung mit kundenspezifischen Projekten für Speziallösungen. Wir bieten auch

Aftermarket-Services für die Wartung, den Betrieb und die Instandhaltung der kritischen Onshore-Energieinfrastruktur unserer Kunden. Daher sind wir der Meinung, dass wir eine entscheidende Rolle bei der Sicherung der Energieversorgung und der Ermöglichung der sauberen Energiewende in Deutschland spielen. Unser Geschäft ist in vier separate Segmente unterteilt: (i) *Natural Gas*, (ii) *Electricity*, (iii) *Clean Hydrogen* und (iv) *Adjacent Opportunities*. Unser *Natural Gas*-Segment umfasst den Transport und die Umwandlung von rohem Erdgas in aufbereitetes Erdgas für unsere Kunden. Unser *Electricity*-Segment konzentriert sich auf den unterirdischen Transport und die Umwandlung von Strom, der aus klimafreundlichen, nicht-fossilen Energiequellen wie Wind, Sonne, Wasser und erneuerbaren Rohstoffen erzeugt wird. Unser Segment *Clean Hydrogen* umfasst die Umwandlung von Energie aus klimafreundlichen Energiequellen in sauberen Wasserstoff sowie dessen Transport zu den Endverbrauchern. In unserem Segment *Adjacent Opportunities* fassen wir diejenigen Projekte und Teilprojekte zusammen, die in keines der drei oben genannten Segmente fallen, aber verwandte oder ähnliche technologische Ansätze erfordern. Wir profitieren vom organischen Wachstum, das durch die Energiewende in Europa und unseren bestehenden Marktzugang im Erdgas- und Stromgeschäft unterstützt wird, sowie von unseren strategischen Akquisitionen, insbesondere dem Erwerb der Bohlen & Doyen Bau GmbH und der Bohlen & Doyen Service und Anlagentechnik GmbH zum Ende des Geschäftsjahres 2019 (diese erworbenen Unternehmen zusammen "**Bohlen & Doyen**"). Wir konzentrieren uns primär auf den deutschen Markt und setzen unsere europäische Expansion in den BeNeLux Ländern sowie perspektivisch auch in Spanien fort.

b. Hauptanteilseigner

Zum Datum des Prospekts werden 66,7 % des Aktienkapitals und der Stimmrechte an der Gesellschaft von MBB und 33,3 % des Aktienkapitals und der Stimmrechte an der Gesellschaft von ALX gehalten. Zum selben Datum wird die Gesellschaft daher direkt von MBB kontrolliert.

c. Hauptgeschäftsführer

Der Vorstand des Unternehmens besteht aus Torben Kleinfeldt als Chief Executive Officer ("**CEO**") und Tim Hameister als Chief Financial Officer ("**CFO**").

d. Abschlussprüfer

Für die am 31. Dezember 2020 und 31. Dezember 2019 beendeten Geschäftsjahre wurde die RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock-Str. 4, 40474 Düsseldorf ("**RSM**") zum Abschlussprüfer der Gesellschaft bzw. der Vorwerk KG bestellt.

(ii) Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die geprüften konsolidierten Jahresabschlüsse der Gesellschaft für das am 31. Dezember 2020 beendete Geschäftsjahr sowie die geprüften konsolidierten Jahresabschlüsse der Vorwerk KG für das am 31. Dezember 2019 beendete Geschäftsjahr wurden von der Gesellschaft bzw. der Vorwerk KG in Übereinstimmung mit den von der Europäischen Union angenommenen International Financial Reporting Standards ("**IFRS**") erstellt. Die Finanzinformationen für das Geschäftsjahr zum 31. Dezember 2018 wurden dem geprüften konsolidierten Jahresabschluss der Vorwerk KG für das Geschäftsjahr zum 31. Dezember 2019 entnommen oder daraus abgeleitet. Der geprüfte Einzelabschluss der Gesellschaft für das am 31. Dezember 2020 beendete Geschäftsjahr wurde von der Gesellschaft in Übereinstimmung mit dem Handelsgesetzbuch erstellt.

a. Wesentliche Finanzinformationen aus der Konzern-Gewinn- und Verlustrechnung

	Für das Geschäftsjahr zum 31. Dezember,			
	2020	2019	2019	2018
	(Like-for-Like) ⁽¹⁾			
	(Geprüft, sofern nicht anders dargestellt)			
(in Tausend EUR)				
Umsatzerlöse	291.791	277.013	179.331	105.873
Gesamtleistung ⁽²⁾	305.921	290.488	190.725	111.946
EBITDA	58.822	56.190	41.807	21.079
EBIT	47.468	45.361	33.831	13.651
Finanzierungskosten (netto) ⁽³⁾	(4.747)	(813)	(734)	(1.064)
Ergebnis vor Steuern (EBT)	42.721	44.547	33.097	12.586
Reingewinn	30.559	36.550	28.385	10.446
Ergebnis pro Aktie (ungeprüft) ⁴	1,70	2,03	1,58	0,58

(1) Durch die Konsolidierung von Bohlen & Doyen ab Dezember 2019 haben sich die Positionen der Konzern-Gewinn- und Verlustrechnung des geprüften Konzernabschlusses zum 31. Dezember 2020 im Vergleich zum geprüften Konzernabschluss zum 31. Dezember 2019 wesentlich verändert. Um die Vergleichbarkeit der vorgenannten Abschlüsse zu verbessern, haben wir für alle Posten der Gewinn- und Verlustrechnung im Anhang unseres geprüften Konzernabschlusses 2020 zum und für das am 31. Dezember 2020 endende Jahr vergleichbare Finanzinformationen erstellt ("**Like-for-Like-Finanzinformationen**"). Diese Like-for-Like-Finanzinformationen stellen die Posten der Gewinn- und Verlustrechnung so dar, als ob Bohlen & Doyen für das gesamte Geschäftsjahr 2019 Teil der Vorwerk Gruppe gewesen wäre.

(2) "Gesamtleistung" ist die Summe aus Umsatzerlösen, Erhöhung/Verminderung des Bestands an fertigen und unfertigen Erzeugnissen, Erträgen aus der Erstkonsolidierung, Erträgen aus Joint Ventures und sonstigen betrieblichen Erträgen.

(3) Berechnet als sonstige Zinsen und ähnliche Erträge abzüglich Zinsen und ähnliche Aufwendungen. Das Finanzergebnis für das Geschäftsjahr zum 31. Dezember 2020 enthält die den nicht beherrschenden Anteilen der Friedrich Vorwerk Group SE zuzurechnenden Nettogewinne in Höhe von TEUR 3.857, die unter den Finanzaufwendungen ausgewiesen werden, da diese nicht beherrschenden Anteile als Verbindlichkeiten behandelt werden. Diese entstanden erstmalig im Geschäftsjahr 2020 durch die Konsolidierung der Vorwerk KG im Konzernabschluss der Gesellschaft als neue Muttergesellschaft der Vorwerk Gruppe.

- (4) Den Eigentümern des Mutterunternehmens nach IFRS zuzurechnen. Angaben auf Basis von 18.000.000 Aktien mit einem anteiligen Betrag von je EUR 1,00 am Grundkapital der Gesellschaft, was der Anzahl der Aktien der Gesellschaft zum Datum des Prospekts entspricht.

b. Wesentliche Finanzinformationen aus der Konzern-Bilanz

(in Tausend EUR)	Stand: 31. Dezember,		
	2020	2019	2018
	(Geprüft)		
Langfristige Vermögenswerte	72.009	61.270	38.038
Umlaufvermögen	104.903	106.197	48.712
Gesamtvermögen	176.912	167.466	86.750
Summe Eigenkapital.....	63.604	37.880	23.661
Langfristige Verbindlichkeiten	42.793	37.295	21.757
Kurzfristige Verbindlichkeiten	70.515	92.291	41.332
Summe Eigenkapital und Verbindlichkeiten	176.912	167.466	86.750

c. Wesentliche Finanzinformationen aus der Konzern-Kapitalflussrechnung

(in Tausend EUR)	Für das Geschäftsjahr zum 31. Dezember,		
	2020	2019	2018
	(Geprüft)		
Cashflow aus betrieblicher Tätigkeit	33.319	59.153	19.767
Cashflow aus Investitionstätigkeit.....	(20.402)	(4.018)	(5.665)
Cashflow aus der Finanzierungstätigkeit.....	(20.144)	(11.619)	(8.415)

d. Wesentliche Leistungskennzahlen und andere operative Leistungsindikatoren

(in Tausend EUR, sofern nicht anders angegeben)	Zum und für das Geschäftsjahr zum 31. Dezember,			
	2020	2019	2019	2018
	(Like-for-Like)			
	(ungeprüft, sofern nicht anders angegeben)			
Alternative Leistungskennzahlen⁽¹⁾				
Bereinigte Umsatzerlöse ⁽²⁾	291.228	269.487	179.094	-
Bereinigtes EBITDA ⁽³⁾	58.570	49.988	36.629	19.917
Bereinigtes EBIT ⁽⁴⁾	47.394	39.500	28.898	13.191
Bereinigter Reingewinn ⁽⁵⁾	30.521	30.931	23.393	9.785
Eigenkapitalquote (in %) (testiert)	36,0%	22,6%	22,6%	27,3%
Nettoverschuldung (-) / Netto-Barbestand ⁽⁶⁾	27.851	31.828	31.828	(5.884)
Andere operative Leistungsindikatoren				
Auftragseingang ⁽⁷⁾	312.504	292.781	290.703	124.176
Auftragsbestand zum 31. Dezember ⁽⁷⁾	306.508	285.775	285.775	174.403
Bereinigter Umsatz pro Mitarbeiter ⁽⁸⁾	227	214	208	148

- (1) In diesem Prospekt stellen wir alternative Leistungskennzahlen als (i) ergänzende Informationen dar, weil sie von unserer Geschäftsleitung zur Messung der operativen Leistung, unter anderem in Präsentationen für unsere Geschäftsleitung, und als Grundlage für die strategische Planung und Prognose verwendet werden, und (ii) weil sie Kennzahlen darstellen, von denen wir glauben, dass sie von bestimmten Anlegern, Wertpapieranalysten und anderen Parteien weithin als ergänzende Kennzahlen für die operative und finanzielle Leistung verwendet werden.
- (2) Berechnet auf Basis der berichteten Umsatzerlöse, bereinigt um die Umsatzbeiträge der Offshore-Aktivitäten von Bohlen & Doyen, die wir beschlossen haben, in Zukunft nicht mehr weiterzuführen (2020: Umsatzerlöse: TEUR 563; 2019 vergleichbar: Umsatzerlöse: TEUR 7.526; 2019 (Ist): Umsatzerlöse: TEUR 237)
- (3) Das bereinigte EBITDA stellt unser ausgewiesenes EBITDA dar, bereinigt um den Ertrag aus der Erstkonsolidierung, der auf den im Zusammenhang mit Akquisitionen realisierten "Badwill" zurückzuführen ist, und abzüglich der EBITDA-Beiträge aus den von Bohlen & Doyen geführten Offshore-Aktivitäten, die wir beschlossen haben, in Zukunft einzustellen.
- (4) Das bereinigte EBIT basiert auf unserem bereinigten EBITDA abzüglich der Abschreibungen (wie berichtet) und bereinigt um Abschreibungen auf Vermögenswerte, die im Rahmen von Kaufpreisallokationen aktiviert wurden.
- (5) Der bereinigte Jahresüberschuss basiert auf unserem bereinigten EBIT abzüglich der Finanzerträge und -aufwendungen, der Ertragsteuern und der sonstigen Steuern (jeweils wie berichtet) und bereinigt um latente Steuern im Zusammenhang mit Kaufpreisallokationen sowie um Steuern, die auf die Offshore-Aktivitäten von Bohlen & Doyen entfallen, die wir beschlossen haben, künftig nicht mehr weiterzuführen.
- (6) Berechnet durch Subtraktion der Summe der kurz- und langfristigen Bankverbindlichkeiten und Leasingverbindlichkeiten der Gesellschaft von der Summe der Zahlungsmittel und Zahlungsmitteläquivalente, wie in der Konzern-Bilanz ausgewiesen. Ein negativer Betrag weist auf eine Nettoverschuldung hin, während ein positiver Betrag einen Netto-Barbestand anzeigt.
- (7) "Auftragseingang" ist definiert als das jährlich aufgezinste Volumen an rechtlich bindenden Aufträgen sowie die bestimmbareren Umsätze aus Rahmenverträgen auf Basis historischer Daten und "Auftragsbestand" ist definiert als die verbleibenden prognostizierten Umsätze aus verbindlichen Vereinbarungen für einzelne Projekte mit Kunden, die noch nicht als Umsatz aus solchen Aufträgen realisiert wurden, sowie die bestimmbareren Umsätze aus Rahmenverträgen auf Basis historischer Daten zu einem bestimmten Zeitpunkt. Wir verwenden den Auftragseingang als eine wichtige alternative Leistungskennzahl, um zukünftige Umsätze und die Arbeitsauslastung abzuschätzen.
- (8) Berechnet auf Basis des in dieser Tabelle dargestellten bereinigten Umsatzes und der durchschnittlichen Anzahl der Mitarbeiter für die jeweiligen Zeiträume.

(iii) Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

Eine Investition in Aktien der Gesellschaft unterliegt einer Reihe von Risiken, von denen einige in diesem Abschnitt und im Abschnitt "C. (iii) Was sind die Hauptrisiken, die für die Wertpapiere spezifisch sind?" dieser Zusammenfassung dargestellt

werden. Der Eintritt eines der folgenden Risiken könnte einzeln oder zusammen mit anderen Umständen wesentliche nachteilige Auswirkungen auf die Geschäftstätigkeit, das Betriebsergebnis, die Finanzlage und den Cashflow der Gesellschaft haben.

Die folgenden Risiken sind wesentliche, für uns spezifische Risiken:

- Wenn der Markt für kritische On-Shore-Energieinfrastruktur nicht mehr wächst oder schrumpft, würde sich dies negativ auf unsere Umsätze auswirken.
- Wenn die relativen Kosten von sauberem Wasserstoff in Zukunft nicht wettbewerbsfähig werden, kostengünstigere Transport- und Speichertechnologien entwickelt werden oder sauberer Wasserstoff kosteneffektiv durch die Erdgas-Pipeline-Infrastruktur transportiert werden kann, könnten unser Geschäft und unsere Aussichten negativ beeinflusst werden.
- Wir stehen derzeit im Wettbewerb mit etablierten Wettbewerbern auf dem Markt für kritische Onshore-Energieinfrastrukturlösungen und gehen davon aus, dass wir in Zukunft mit anderen Wettbewerbern konkurrieren werden.
- Sollte es uns nicht gelingen, die notwendige Technologie zur Nutzung und Umwandlung von sauberem Wasserstoff, einschließlich unserer kritischen Onshore-Energieinfrastrukturlösungen, in nutzbare Energietransport- und -speichermittel für Industrie, Transport und Heizzwecke zu entwickeln, könnte dies die Entwicklung des Marktes für saubere Energie behindern und das Wachstumspotenzial unseres Gesamtgeschäfts erheblich beeinträchtigen.
- Wir sind Kalkulations- und Ausführungsrisiken im Zusammenhang mit unseren Aufträgen für die Planung, den Bau, die Installation und die Wartung einzelner Projekte, einschließlich schlüsselfertiger Großprojekte, in der kritischen Onshore-Energieinfrastrukturbranche und den Rahmenverträgen, unter denen wir diese Aufträge ausführen, ausgesetzt.
- Wir nehmen im Rahmen unserer Geschäftstätigkeit sowohl an öffentlichen als auch an privaten Ausschreibungsverfahren teil. Sollte es uns nicht gelingen, in solchen Ausschreibungsverfahren neue Aufträge zu erhalten, bei denen es sich zum Teil um umfangreiche Großprojekte handelt, könnte dies unsere Umsatzerlöse beeinträchtigen.
- Wir sind auf eine begrenzte Anzahl von großen Schlüsselkunden angewiesen, deren Verlust unser Geschäft erheblich beeinträchtigen könnte.
- Wenn wir nicht in der Lage sind, Mitarbeiter in Schlüsselpositionen und qualifiziertes Managementpersonal zu gewinnen oder zu halten, oder wenn wir uns unverhältnismäßig stark auf spezialisierte Subunternehmer verlassen müssen, könnte unsere Wettbewerbsfähigkeit beeinträchtigt werden, und wir könnten Schwierigkeiten haben, bestehende Verträge zu erfüllen, weil uns qualifizierte Kapazitäten fehlen.
- Wir sind mit Risiken konfrontiert, die sich aus Akquisitionen ergeben, einschließlich Schwierigkeiten bei der Integration des erworbenen Geschäfts. Ähnliche Risiken bestehen im Zusammenhang mit dem Eingehen oder dem Ausstieg aus Joint Ventures mit Partnern.
- Wir unterliegen einer Reihe von aufsichtsrechtlichen Anforderungen und Risiken, in deren Folge uns erhebliche Kosten, Verbindlichkeiten und Verpflichtungen entstehen können.

C. Basisinformationen über die Wertpapiere

(i) Welches sind die wichtigsten Merkmale der Wertpapiere?

Der Prospekt bezieht sich auf auf den Inhaber lautende Stammaktien ohne Nennwert (Stückaktien), jeweils mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 und voller Dividendenberechtigung ab dem 1. Januar 2021 mit der ISIN: DE000A255F11. Alle Aktien der Gesellschaft sind gleicher Gattung und in Euro denominated.

Jede Aktie der Gesellschaft berechtigt den Aktionär zu einer Stimme in der Hauptversammlung. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft sind im Falle einer Insolvenz der Gesellschaft allen anderen Wertpapieren und Ansprüchen nachrangig; alle Aktien haben einen Anspruch auf einen Anteil an einem ausschüttungsfähigen Liquidationserlös oder Insolvenzüberschuss im Verhältnis ihres Anteils am Grundkapital. Vorbehaltlich üblicher Lock-up-Verpflichtungen der Gesellschaft und der Abgebenden Aktionäre jeweils für 180 Tage nach Aufnahme des Handels der Aktien in der Gesellschaft, sowie Verkaufsbeschränkungen für internationale Verkäufe sind die Aktien der Gesellschaft nach den gesetzlichen Bestimmungen für Inhaberstammaktien frei übertragbar.

Vorbehaltlich der Verfügbarkeit eines Bilanzgewinns und ausschüttungsfähiger Mittel strebt die Gesellschaft an, kurz- bis mittelfristig 10 % bis 20 % ihres Konzernjahresüberschusses nach IFRS auszuschütten. Langfristig strebt die Gesellschaft an, 20 % bis 30 % ihres Konzernjahresüberschusses nach IFRS auszuschütten.

(ii) Wo werden die Wertpapiere gehandelt?

Die Gesellschaft hat die Zulassung ihrer Aktien zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zu dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragt.

(iii) Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Bei den folgenden Risiken handelt es sich um Schlüsselrisiken, die für die Aktie der Gesellschaft spezifisch sind:

- Es gibt keinen bestehenden Markt für die Aktien der Gesellschaft und es könnte sich kein aktiver oder liquider Markt für die Aktien der Gesellschaft entwickeln.

- Selbst wenn alle angebotenen Aktien im Rahmen des Angebots platziert werden, wird unser größter Aktionär MBB weiterhin einen erheblichen Einfluss auf die Gesellschaft und ihre Geschäftstätigkeit ausüben können. Die Interessen unseres größten Aktionärs könnten mit den Interessen unserer anderen Aktionäre kollidieren.
- Zukünftige Verkäufe von Aktien der Gesellschaft oder erwartete Verkäufe einer erheblichen Anzahl von Aktien der Gesellschaft oder ähnliche Transaktionen, die von den Abgebenden Aktionären oder anderen Aktionärsgruppen durchgeführt werden, könnten den Aktienkurs nachteilig beeinflussen.

D. Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem geregelten Markt

(i) Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

a. Konditionen des Angebots

Das Angebot bezieht sich auf 9.200.000 Aktien der Gesellschaft (das "**Angebot**"), bestehend aus (i) 2.000.000 neu auszugebenden auf den Inhaber lautende Stammaktien ohne Nennwert (Stückaktien) aus einer von einer außerordentlichen Hauptversammlung der Gesellschaft voraussichtlich am 18. März 2021 beschlossenen und voraussichtlich am oder um den 23. März 2021 vollzogenen Kapitalerhöhung gegen Bareinlage (die "**Neuen Aktien**"), (ii) 6.000.000 bestehenden auf den Inhaber lautende Stammaktien ohne Nennwert (Stückaktien) aus dem Bestand der Abgebenden Aktionäre (die "**Sekundären Aktien**"); und (iii) 1.200.000 bestehende auf den Inhaber lautende Stammaktien ohne Nennwert (Stückaktien) aus dem Bestand der Abgebenden Aktionäre zur Abdeckung potentieller Mehrzuteilungen (die "**Mehrzuteilungsaktien**" und, zusammen mit den Neuen Aktien und den Sekundären Aktien, die "**Angebotsaktien**"). Das Angebot besteht aus (i) einem öffentlichen Angebot in Deutschland, (ii) Privatplatzierungen in bestimmten Ländern außerhalb der Vereinigten Staaten von Amerika ("**Vereinigte Staaten**" oder "**U.S.**") im Rahmen von Offshore-Transaktionen auf der Grundlage von Regulation S des U.S. Securities Act von 1933 in der jeweils gültigen Fassung (der "**Securities Act**") und (iii) Privatplatzierungen in den Vereinigten Staaten an qualifizierte institutionelle Käufer (*Qualified Institutional Buyers*) im Sinne von Rule 144A des Securities Act. Die Angebotsaktien wurden und werden nicht gemäß dem Securities Act oder den Wertpapiergesetzen eines Bundesstaates oder einer anderen Jurisdiktion der Vereinigten Staaten registriert und dürfen nicht in die oder innerhalb der Vereinigten Staaten angeboten, verkauft oder anderweitig übertragen werden, außer gemäß einer Ausnahme von den Registrierungsanforderungen des Securities Act oder im Rahmen einer Transaktion, die nicht den Registrierungsanforderungen des Securities Act unterliegt, und in Übereinstimmung mit etwaig geltenden Wertpapiergesetzen eines Bundesstaates oder einer anderen Jurisdiktion in den Vereinigten Staaten.

b. Voraussichtlicher Zeitplan

Der voraussichtliche Zeitplan für das Angebot, der verlängert oder verkürzt werden kann und Änderungen vorbehalten bleibt, sieht wie folgt aus:

- | | |
|---------------|---|
| 15. März 2021 | Billigung des Prospekts durch die BaFin; Veröffentlichung des Prospekts auf der Website der Gesellschaft
Beginn des Zeitraums, in dem Anleger Kaufangebote für die Angebotsaktien abgeben können (der " Angebotszeitraum ") |
| 23. März 2021 | Ende des Angebotszeitraums um (i) 12:00 Uhr (MEZ) für Privatanleger (natürliche Personen) und (ii) 14:00 Uhr (MEZ) für institutionelle Anleger; Festlegung und Veröffentlichung des endgültigen Angebotspreises (der " Angebotspreis ") und der endgültigen Anzahl der zugeteilten Aktien
Vollzug der Kapitalerhöhung für die Neuen Aktien, die im Zusammenhang mit dem Angebot platziert werden; Erteilung des Zulassungsbeschlusses der Frankfurter Wertpapierbörse |
| 25. März 2021 | Aufnahme des Handels der Aktien der Gesellschaft im regulierten Markt der Frankfurter Wertpapierbörse und dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard) |
| 26. März 2021 | Buchmäßige Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises (Abwicklung und Vollzug) |

c. Angebotsbedingungen

Die Preisspanne, innerhalb derer Kaufangebote erteilt werden können, liegt zwischen EUR 41,00 und EUR 56,00 pro Angebotsaktie (die "**Preisspanne**"). Die Gesellschaft und die Joint Global Coordinators behalten sich das Recht vor, nach Rücksprache mit den Abgebenden Aktionären die Gesamtzahl der Angebotsaktien zu erhöhen oder herabzusetzen, die Ober- und/oder Untergrenze der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Der Angebotspreis wird auf der Grundlage von Kaufangeboten festgelegt, die während der Angebotsfrist von Anlegern eingereicht und im Rahmen des Bookbuilding-Verfahrens im Orderbuch gesammelt wurden. Diese Aufträge werden nach den Angebotspreisen und den erwarteten Anlagehorizonten der jeweiligen Anleger bewertet. Diese Art der Festlegung des Angebotspreises ist grundsätzlich darauf ausgerichtet, den höchsten Angebotspreis zu erzielen.

d. Plan für den Vertrieb

Die Zuteilung der Angebotsaktien an Privatanleger und institutionelle Investoren wird von der Gesellschaft und den Abgebenden Aktionären nach Abstimmung mit den Joint Global Coordinators beschlossen. Die Zuteilung an Kleinanleger bzw. Privatanleger (Einzelpersonen) erfolgt nach Maßgabe der "Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger" (d.h. Auslosung, Zuteilung nach Ordergröße, Zuteilung mittels eines konkreten Angebots, Zuteilung nach dem Zeitpunkt des Zugangs des Kaufangebots oder Auswahl nach anderen objektiven Kriterien). Darüber hinaus beabsichtigen Mitglieder der

Geschäftsführungs- und Aufsichtsorgane der Vorwerk-Gruppe und der MBB, Angebotsaktien zum Angebotspreis zu erwerben, und sie erhalten eine bevorrechtigte Zuteilung im Zusammenhang mit dem Angebot (die "**Bevorzugte Zuteilung**"). Die Anzahl der den vorgenannten Personen zugeteilten Angebotsaktien wird 1,5 % der Angebotsaktien nicht überschreiten. Im Rahmen der Bevorzugten Zuteilung beabsichtigt der CFO der Gesellschaft, Tim Hameister, 6.000 Angebotsaktien zum Angebotspreis zu erwerben. Herr Tim Hameister hat sich verpflichtet, diese Angebotsaktien nicht ohne vorherige schriftliche Zustimmung der Gesellschaft und der Joint Global Coordinators, die nicht unbillig verweigert oder verzögert werden darf, zu veräußern oder zu veräußern oder bestimmte andere Transaktionen in Bezug auf die im Rahmen des Angebots erworbenen Angebotsaktien für einen Zeitraum von mindestens 360 Tagen ab dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse vorzunehmen.

e. Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option

Im Zusammenhang mit der Platzierung der Angebotsaktien handelt Berenberg oder in dessen Namen handelnde Personen, als Stabilisierungsmanager im Auftrag der Joint Bookrunner kann entsprechend den gesetzlichen Vorschriften Stabilisierungsmaßnahmen ergreifen, um den Kurs der Aktien der Gesellschaft während eines Zeitraums, der spätestens 30 Kalendertage nach Handelsbeginn der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse - voraussichtlich am oder um den 25. März 2021 - endet, zu stützen und dadurch einen etwaigen Verkaufsdruck zu mindern. Die Anzahl der Mehrzuteilungsaktien, die zugeteilt werden dürfen, darf 15 % der Summe der zugeteilten Neuen Aktien und der Sekundären Aktien nicht überschreiten. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen zu ergreifen. Im Rahmen der möglichen Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Neuen Aktien und den Sekundären Aktien Mehrzuteilungsaktien zugeteilt werden. Im Zusammenhang mit potentiellen Mehrzuteilungen gewähren die Abgebenden Aktionäre den Joint Bookrunners jeweils eine Option zum Erwerb aller oder eines Teils der zugeteilten Mehrzuteilungsaktien gegen Zahlung des Angebotspreises abzüglich vereinbarter Provisionen (die "**Greenshoe-Option**", und solche Mehrzuteilungsaktien, die bei Ausübung der Greenshoe-Option erworben werden, die "**Greenshoe-Aktien**").

f. Verwässerung

Zum 31. Dezember 2020 betrug der den Aktionären der Gesellschaft in der Konzernbilanz auf der Grundlage des geprüften Konzernabschlusses der Gesellschaft zuzurechnende Nettovermögenswert, berechnet als Summe der Aktiva abzüglich der Summe der gesamten Schulden EUR 63.604 Tausend, was EUR 3,53 je Aktie auf der Grundlage von 18.000.000 ausstehenden Aktien unmittelbar vor dem Angebot entspricht.

Unter der Annahme einer Platzierung von 2.000.000 Neuen Aktien zum Mittelwert der Preisspanne würde der den Aktionären zum 31. Dezember 2020 zurechenbare Nettovermögenswert nach Abschluss des Angebots EUR 7,65 je Aktie betragen, was einem unmittelbaren Wertzuwachs von EUR 4,12 je Aktie, oder 116,5 %, für die bestehenden Aktionäre sowie einer direkten Verwässerung von EUR 40,85 je Aktie, oder 84,2 %, für die neuen Aktionäre entspräche.

g. Kosten

Die Kosten im Zusammenhang mit dem Angebot der Angebotsaktien und der Zulassung des gesamten Grundkapitals der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse werden voraussichtlich rund EUR 43,1 Mio. betragen (davon schätzt die Gesellschaft die Kosten für die Gesellschaft auf rund EUR 7,6 Mio. und die Kosten für die Abgebenden Aktionäre auf rund EUR 35,5 Mio.), unter der Annahme einer Platzierung von 2.000.000 Neuen Aktien und 6.000.000 Sekundären Aktien zum Mittelwert der Preisspanne, der vollständigen Ausübung der Greenshoe-Option, der Zahlung einer in Abhängigkeit von dem Angebot stehenden Sondervergütung an den CFO der Gesellschaft, an Führungskräfte der Vorwerk Gruppe und an Mitglieder des Managements der MBB und der vollständigen Zahlung einer Ermessensgebühr.

Anlegern werden von der Gesellschaft, den Abgebenden Aktionären oder den Joint Bookrunners (in ihrer Eigenschaft als Joint Bookrunners) keine Kosten in Rechnung gestellt. Anleger können jedoch die üblichen Transaktions- und Abwicklungsgebühren zu tragen haben, die von ihren Brokern oder anderen Finanzinstituten, über die sie ihre Wertpapiere halten, erhoben werden.

(ii) Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Neben der Gesellschaft werden die Angebotsaktien von Joh. Berenberg, Gossler & Co. KG, einer Kommanditgesellschaft mit Sitz in Hamburg, Deutschland, Jefferies GmbH, einer Gesellschaft mit beschränkter Haftung mit Sitz in Frankfurt, Deutschland, und Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, einer Aktiengesellschaft mit Sitz in Frankfurt, Deutschland, alle gegründet in Deutschland und handelnd nach dem Recht der Bundesrepublik Deutschland, angeboten. Die Gesellschaft hat den Antrag auf Zulassung gemeinsam mit den Joint Bookrunners am 11. März 2021 gestellt.

(iii) Weshalb wird dieser Prospekt erstellt?

a. Gründe für das Angebot und die Zulassung zum Handel

Die Gesellschaft beabsichtigt, durch den Ausbau des Eigenkapitals und die Erlöse aus dem Angebot die Grundlage für ein nachhaltiges und profitables Wachstum zu schaffen. Die Erlöse sollen in erster Linie dazu verwendet werden, (i) strukturelle Wachstumstrends durch die Fokussierung auf technologische Lösungen für die saubere Energiewende und die Nutzung von sauberem Wasserstoff zu nutzen, (ii) profitables Wachstum durch die Nutzung bestehender Kundenbeziehungen und Technologien voranzutreiben, (iii) die europäische Expansion fortzusetzen und (iv) die Vorwerk Gruppe in die Lage zu versetzen, strategische Akquisitionsmöglichkeiten als Katalysator für die Beschleunigung des zukünftigen Wachstums zu nutzen. Im Hinblick

auf (i) und (iii) beabsichtigt die Gesellschaft, im Laufe der nächsten drei bis fünf Jahre einen geschätzten kumulierten Betrag von EUR 75 Mio. zu investieren, wovon etwa (i) ein Drittel in ein Wasserstofflabor als Zentrum für wasserstofforientierte Forschungs- und Entwicklungsaktivitäten investiert werden soll, einschließlich der Installation eines Elektrolyseurs, der nicht nur als Demonstrationsanlage für Kunden dienen, sondern auch grünen Wasserstoff für die Dekarbonisierung des eigenen Fuhr- und Maschinenparks produzieren soll, (ii) ein Drittel in den Anlagenbau der Vorwerk Gruppe einschließlich wasserstoffspezifischer hochpräziser Fertigungstechnologien und Kalibriersysteme und (iii) ein Drittel in digitalisierte Energieinfrastrukturlösungen und die europäische Expansion der Vorwerk Gruppe, insbesondere in die BeNeLux-Länder (d. h. e., Belgien, Niederlande und Großherzogtum Luxemburg) und später in Spanien investiert werden soll.

b. Zweckbestimmung und geschätzter Nettobetrag der Erlöse

Die Gesellschaft beabsichtigt, den geschätzten Nettoerlös aus dem Angebot der Neuen Aktien in Höhe von ca. EUR 89,4 Mio. (unter der Annahme einer Platzierung von 2.000.000 Neuen Aktien zum Mittelwert der Preisspanne und der vollständigen Zahlung einer Ermessensgebühr) dafür zu verwenden, die Grundlage für ein nachhaltiges und profitables Wachstum zu schaffen wie im vorherigen Absatz beschrieben.

Unter der Annahme einer Platzierung von 6.000.000 Sekundären Aktien zum Mittelwert der Preisspanne, der vollständigen Ausübung der Greenshoe-Option und der vollständigen Zahlung einer Ermessensgebühr schätzt die Gesellschaft, dass sich der Nettoerlös für die Abgebenden Aktionäre auf rund EUR 313,7 Mio. belaufen würde.

c. Übernahmevertrag

Die Gesellschaft, die Abgebenden Aktionäre, die Joint Bookrunner und der Platzierungsagent haben am 15. März 2021 einen Übernahmevertrag über die Koordination, Strukturierung und Durchführung des Angebots abgeschlossen (der "**Übernahmevertrag**"). In dem Übernahmevertrag haben sich die Joint Bookrunner verpflichtet, die Angebotsaktien zu kaufen mit dem Ziel, diese den Investoren im Rahmen des Angebots anzubieten, wobei diese Verpflichtung verschiedenen Bedingungen unterliegt, vor allem dem Abschluss einer Preisfestsetzungsvereinbarung. Der Platzierungsagent hat sich verpflichtet, im Namen von Jefferies und im Zusammenhang mit dem Angebot, alle regulierten Dienstleistungen außerhalb der Europäischen Union oder eines jeden Mitgliedstaats des Europäischen Wirtschaftsraums zu erbringen. Der Übernahmevertrag enthält keine feste Verpflichtung der Übernahme der Angebotsaktien durch die Konsortialbanken.

d. Wesentliche Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel

Die Joint Bookrunners handeln für die Gesellschaft und die Abgebenden Aktionäre im Zusammenhang mit dem Angebot und der Koordination, Strukturierung und Durchführung des Angebots. Darüber hinaus wurde Berenberg beauftragt, als Designated Sponsor für die Aktien der Gesellschaft zu handeln, und DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, wurde als Zahlstelle beauftragt. Nach erfolgreicher Durchführung des Angebots erhalten die Joint Bookrunner eine Provision. Aufgrund dieser vertraglichen Beziehungen haben die Joint Bookrunner ein finanzielles Interesse am Erfolg des Angebots. Zudem unterhalten einige der Joint Bookrunner, der Platzierungsagent oder mit ihnen verbundene Unternehmen Geschäftsbeziehungen mit der Vorwerk Gruppe (einschließlich der Kreditvergabe) und können diese zukünftig von Zeit zu Zeit unterhalten oder im Rahmen des normalen Geschäftsbetriebs Dienstleistungen für die Vorwerk Gruppe erbringen.

Die Abgebenden Aktionäre erhalten den Erlös aus dem Verkauf der Sekundären Aktien und der Mehrzuteilungsaktien. Dementsprechend haben die Abgebenden Aktionäre ein Interesse an einem erfolgreichen Abschluss des Angebots.

Der Vorstandsvorsitzende der Gesellschaft, Torben Kleinfeldt, und der Aufsichtsratsvorsitzende, Dr. Christof Nesemeier, sind indirekte Aktionäre der Gesellschaft und haben ein Interesse am Erfolg des Angebots zu bestmöglichen Bedingungen.

Darüber hinaus beabsichtigen im Rahmen der Bevorzugten Zuteilung Mitglieder der Geschäftsführungs- und Aufsichtsorgane der Vorwerk Gruppe und der MBB, darunter der CFO der Gesellschaft, Tim Hameister, Angebotsaktien zum Angebotspreis zu erwerben. Darüber hinaus erhalten der CFO der Gesellschaft, Führungskräfte der Vorwerk Gruppe sowie Mitglieder des Managements der MBB eine von dem Erfolg des Angebots abhängige Sondervergütung. Auch sie haben daher ein Interesse an dem erfolgreichen Abschluss des Angebots.

1. RISK FACTORS

*An investment in shares of Friedrich Vorwerk Group SE (the "**Company**" and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**" or the "**Vorwerk Group**", and all shares of the Company outstanding from time to time, together, the "**Shares**" and each share, a "**Share**") is subject to risks. Potential investors should carefully consider the following risks together with the other information provided in the prospectus (the "**Prospectus**") as well as their personal circumstances prior to making an investment decision with respect to the Shares. In each category, the most material risks, in the assessment undertaken by the Company, taking into account the expected magnitude of their negative impact on the Vorwerk Group and the probability of their occurrence, are set out first, with at least the two most material risk factors mentioned at the beginning of each category. Irrespective of this order, however, the occurrence of any of these risks, individually or together with other circumstances and uncertainties currently unknown to us or deemed immaterial by us, could have a material adverse effect on our business, results of operations, financial position and cash flows. The market price of the Shares could fall if any or all of these risks were to materialize, and prospective investors could lose all or part of their invested capital.*

1.1. Risks related to our Industry

1.1.1 Our long-term future development primarily depends on the growth of the critical on-shore energy transportation and transformation infrastructure ("critical on-shore energy infrastructure") market, in particular on the growth of the market for clean hydrogen. If this market ceases to grow or even shrinks, this would adversely affect our revenue in the long run.

Our long-term future development depends primarily on the growth of the critical on-shore energy infrastructure market, in particular on the growth of the market for clean hydrogen (that is, hydrogen produced in zero- or low-carbon processes, e.g., through the process of water electrolysis using renewable - such as solar and wind – energies or nuclear power). Demand for our critical on-shore energy infrastructure solutions depends on public spending and investments in clean energy technologies and private investments by our customers in such clean energy technologies, as well as evolving end-customer preferences to use energy produced by clean energy technology. If consumers demand for clean energy solutions remains stable, does not grow or even declines, our business may be materially adversely affected.

The clean energy market, especially the market for clean hydrogen, is relatively new and rapidly evolving, characterized by fast-changing technologies, price competition, the entry of new competitors, evolving government regulations and industry standards, frequent new technical improvements, changing consumer demands and behaviors and market trends and developments. Factors that may influence the widespread adoption of energy produced by clean energy technology include but are not limited to:

- the availability of tax and other governmental incentives and subsidies to incentivize the use of clean energy, especially the use of clean hydrogen, for energy purposes;
- the impact of additional regulations directly or indirectly affecting the energy infrastructure market, such as tax benefits or penalties and other related benefits or penalties and other disincentives;
- perceptions about the quality, safety, design, performance and cost of our clean energy technology, especially clean hydrogen, if adverse events or accidents occur that are linked to these technologies such as accidents from the incorrect storage or transportation of hydrogen;
- any national or international decision to promote clean air or climate changing regulations, such regulations having the effect of promoting and funding on-shore energy infrastructure technologies, especially the use of clean hydrogen;
- high market volatility following the introduction of new clean energy technology (as seen with the initial introduction of solar energy), leading to potential significant price decreases and high losses for companies entering the market for the first time;

- disruptive developments in alternative fuel technologies could lead to viable alternatives to current clean energy solutions;
- the total cost of producing clean energy in general and clean hydrogen in particular relative to the total production cost of fossil fuel based energy;
- concerns about electric grid capacity and reliability, in particular in Germany, which could lead to the prolonged use of stable power generation from coal and the restart of nuclear power production;
- the availability of an extensive nationwide critical on-shore energy infrastructure to convert such clean energy on a cost efficient basis for everyday use;
- the availability and convenience of critical on-shore energy infrastructure to provide clean energy to the end customer;
- consumers' desire and ability to use clean energy as an alternative to fossil-fuel based energy;
- the environmental consciousness of consumers and the increasing importance of Environmental, Social and Governance ("ESG") standards among our customers;
- a significant decrease in the relative price of oil compared to clean energy sources, especially due to an increase in the global output in oil or significant expansion in the exploitation of shale reserves in the United States;
- consumers' perceptions of the importance of using clean energy to promote fuel efficiency and alternative forms of energy;
- limited availability of land and off-shore space to build the necessary technical capacity for green energy production, especially in the case of Germany where nuclear power generation will be shut down by 2022;
- limited availability of raw materials to produce the necessary volume of energy infrastructure components to transition to clean energy alternatives; and
- macro-economic factors which could lead to a reduction in government spending on clean energy technologies.

The development of some of these factors described above may cause current or potential end consumers not to rely on clean energy technologies, especially the use of clean hydrogen. We are increasingly focusing on this field and plan on making significant investments. We plan on investing in the mid-term approximately EUR 75 million primarily in clean hydrogen. If any of the above-mentioned risks materialize, we may be able to generate significantly less revenue than anticipated, which in turn could lead to these significant investments not yielding the expected returns.

1.1.2 If the relative costs of clean hydrogen do not become competitive in the future, more cost-effective transport and storage technologies are developed, or clean hydrogen can be cost-effectively transported through the natural gas pipeline infrastructure, the market for clean hydrogen may become less attractive than anticipated and our business and our prospects may be adversely affected.

Based on current market estimates, the relative production costs for clean hydrogen are expected to decrease significantly over the next few decades (*Source: Hydrogen Europe; Path to Cost Competitiveness*). This development is largely driven by six major factors: (i) the significant amount of government subsidies and incentives for clean hydrogen production, (ii) the artificial increase of production costs for fossil fuels based energy through the feed-in priority for green energy and renewable energy levies, (iii) the increased price of CO₂ certificates as this will be decisive for the duration of economically viable production of energy from fossil fuels, (iv) the decreasing costs of electrolyzers, in particular as a result of severe price declines for stack components, (v) increased efficiencies through technical progress and scale in the energy market, and (vi) the decreasing costs of

electricity from renewable energy technologies. However, there can be no guarantee that these trends toward reduced production costs for clean hydrogen will continue over the long term, another transport and storage means may be developed that will be more economically viable and/or environmentally friendly than clean hydrogen such as synthetic fuels, or that energy based from fossil fuel technologies or nuclear-based technologies may re-emerge as a result of either changes in political attitudes toward these technologies or severe economic constraints, for example, from financial markets. In particular, the German government has announced its decision to discontinue nuclear energy production by 2022, as a result of which Germany will rely on power produced from renewable energy sources to produce clean hydrogen. However, there can be no assurance that sufficient land plots or offshore space will be available in Germany to build the required number of such renewable power production facilities.

All of these factors could cause our customers to refrain from using our solutions for clean hydrogen, which would, in turn, materially harm our business and our prospects.

1.1.3 We currently face competition from established competitors in the market for critical on-shore energy infrastructure solutions and expect to face competition from others in the future. We may not be successful in competing in the overall market for clean energy solutions for energy infrastructure, especially if our major competitors consolidate their businesses or our major customers insource on-shore energy infrastructure solutions into their operations, which could have an adverse effect on revenue and margins.

The market for on-shore energy infrastructure solutions in Europe is competitive, and competition is expected to further increase in the future, particularly because of new market entrants from other countries or from larger corporations seeking to take advantage of increases in public spending and investment in on-shore energy infrastructure solutions. The competitive environment differs depending on the relevant end market. For our natural gas business we have identified pipeline engineering and construction companies such as Max Streicher and PPS Pipeline Systems as main competitors. In the field of electricity solutions, we face competition mainly from specialized companies in the underground cable line construction sector, *e.g.*, Max Bögl and Köster, and larger energy technology companies such as Ormat, Bilfinger, ABB or Siemens Energy. In the clean hydrogen market, we have identified internationally operating energy infrastructure companies such as McPhy Energy and Plug Power as our key competitors.

We expect that the number of competitors participating in the market for on-shore energy infrastructure solutions will continue to grow in the future. In particular, we believe that, in line with current political initiatives, offerings related to clean hydrogen solutions that are believed to contribute significantly to the de-carbonization of industry and transportation in the future may increase competitive pressure. If this market were to continue to grow as expected, it is possible that additional domestic and foreign companies will enter the market and produce on-shore energy infrastructure solutions similar to ours, leading to an oversupply in our market. In addition, to achieve a competitive advantage over us, some of our larger domestic and foreign competitors may engage in price dumping to increase their market share.

We cannot ensure that our current and potential competitors will not have significantly greater financial, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their on-shore infrastructure equipment and technologies. Some of our competitors may have more extensive customer bases and broader customer and industry relationships than we do. In addition, some of these companies may have longer operating histories and greater brand recognition than we do. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products on-shore energy infrastructure equipment or turnkey solutions more effectively. In addition, some of our larger customers may decide to enter the on-shore energy infrastructure market to take advantage of the significant increase in public spending and investment in on-shore energy infrastructure solutions.

There can be no assurance that we will be able to compete successfully in our markets. If our competitors introduce new technology that competes with or surpasses the quality, price or performance of our technology, we may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow us to generate attractive rates of return on our investments. Increased competition could result in price reductions

and revenue shortfalls, loss of customers and loss of market share, any of which could have a material adverse effect on our revenue.

Consolidation among our competitors could also enhance their product offerings and financial resources, which could strengthen their competitive position relative to ours. Furthermore, there can be no assurance that one of our competitors may not seek to acquire us in the course of the further consolidation of the market in which we operate. In addition, the insourcing of our technology by our major customers may lead to a loss of orders for our on-shore energy infrastructure solutions. Such changes in the competitive landscape could potentially reduce our market share and decrease our revenue and margins.

1.1.4 Any failure on an industry-wide basis to develop the necessary technology to harness and convert clean hydrogen, including our critical on-shore energy infrastructure solutions, to usable energy transport and storage means for industry, transportation and heating purposes could impede the development of the clean energy market and have a material adverse effect on the growth potential of our overall business.

Clean hydrogen is currently viewed as the long-term solution in the clean energy market to replace fossil fuel technology as an energy storage and transport means for industrial, transportation and heating purposes. It is currently estimated that approximately up to EUR 470 billion will be invested in Europe by 2050 (*Source: European Commission Hydrogen Strategy*) or up to EUR 430 billion by 2030 (*Source: Website European Clean Hydrogen Alliance*) in the development of clean hydrogen solutions for the energy industry.

If the proper technology to harness and convert clean hydrogen, including our critical on-shore energy infrastructure solutions, into an energy transport and storage means for industrial, transportation and heating purposes cannot be realized as planned, if the development of such technology significantly exceeds anticipated costs, if the development is delayed for currently unforeseeable reasons, or if our Natural Gas business loses market share before our Clean Hydrogen business has sufficiently grown into an independent business as a viable energy storage and transport means, any of such developments could impede the development of the clean energy market and have a material adverse effect on the growth potential of our overall business.

Clean hydrogen solutions in the clean energy industry are still an emerging technology. Therefore, we cannot rely on forecasts by industrial associations and market research firms, or on the statements or positions of our competitors. Reliable estimates regarding market size, growth rates, sales, market segments or market participants are difficult to obtain. In estimating the development of the market and the identification of growth potential, we therefore must depend to a large extent on our own analysis. It is uncertain whether our critical on-shore energy infrastructure solutions will gain market acceptance to the extent necessary for them to prevail over any existing clean energy solutions, either as an exclusive means of harnessing a clean energy power source or hybridized with existing solutions. We intend to significantly ramp-up the production of clean hydrogen solutions in the medium to long term. There can be no assurance that clean hydrogen solutions in general and our clean hydrogen offerings in particular will ever become commercially viable or gain a market acceptance, and end-users may not want to use our solutions at all. If our clean hydrogen solutions do not gain market acceptance or meet market demands, our recently introduced equipment and technology could be subject to a high level of uncertainty and risk. The development of a volume market for our clean hydrogen solutions is subject to various uncertain factors, some of which are beyond our control, including the emergence of newer, more competitive technologies and products, regulatory requirements, consumer perceptions of the safety of our equipment and technology, and end-user reluctance to buy a new, albeit "greener", product. For example, solar energy could be used directly at the place of terrestrial origin to produce synthetic fuels or ammonia such that the transport of energy over long distances with hydrogen decreases or is completely eliminated, making a clean hydrogen network obsolete. If a high-volume market fails to develop, or develops slower than we anticipate, we may not be able to achieve sustainable profitability. In addition, we cannot guarantee that we will continue to develop, manufacture or market our future products if sales levels do not support the continuation of the product.

It is also possible that potential customers will regard the switch from conventional power sources, such as coal power or nuclear power production, to clean hydrogen solutions as complicated or unnecessary. We are dependent on our ability to convince potential customers that our solutions have added value and are easy to use. As a result of any inability to do so, demand for the production of our clean hydrogen solutions may only develop over a longer period of time than currently envisaged, if at all.

1.1.5 Any reduction, elimination or changes in government spending or public investment/government subsidies in critical on-shore energy infrastructure equipment and technologies, especially on clean hydrogen, or any blacklisting of companies working on highly politicized projects by governmental or private actors could adversely affect our business.

Our business and strategy are based on the premise that government spending on and public investment, incentives and subsidies in the critical on-shore energy infrastructure market, especially in clean hydrogen, will increase demand for critical on-shore energy infrastructure solutions such as our critical on-shore energy infrastructure solutions and fuel the growth of our business in the coming years. Any reduction, elimination or changes in government spending on or public investment, incentives and subsidies in critical on-shore energy infrastructure solutions may result in a decrease in demand for our critical on-shore energy infrastructure solutions and could adversely affect our business.

The European Union (the "EU") has announced, for example, its intention in its so-called European Green Deal to mobilize approximately EUR one trillion in public assistance, incentives, budget expenses and various forms of public and private investment to support the development of a climate neutral and circular economy (*Source: Investing in a Climate-Neutral and Circular Economy: The European Green Deal, The European Commission, January 2020*). Individual EU countries are also discussing the implementation of certain funding mechanisms at a national level. However, there can be no guarantee that the funds for such European Green Deal or comparable national programs will materialize to this extent or at all and the individual European governments may decide or be forced to expend significant financial resources allocated to clean energy technologies for other unrelated public issues in light of increased budgetary pressures, austerity measures or a change in political majorities within the EU. This is particularly true in light of the extensive costs associated with the adverse effect of the ongoing coronavirus pandemic ("COVID-19") and associated governmental lockdown on the German and global economies (see "1.1.8. The deterioration of macroeconomic conditions, including those caused by the onset of COVID-19, in Germany and the EU and other markets in which we intend to enter may adversely affect our business and prospects" in this section). As a result, the intention of the various EU governments to contribute to spending certain amounts of public funding on or to subsidize these technologies may be reduced in light of economic developments such as those caused by COVID-19.

Other external economic factors such as a potential international energy crisis caused by inter-regional conflict, a renewed interest in fossil-fuel based energy if such energy becomes significantly more affordable, the re-emergence of nuclear-based energy as a result of safety and cost improvements which could make clean energy technology redundant, and/or the introduction of currently unknown technologies which are safer and more cost effective than critical on-shore energy infrastructure solutions could lead to significant decreases in public spending in Germany and other EU countries on clean energy technologies in the coming years and thus negatively impact our business model.

In addition, the exercise of intense political pressure by the German, EU, US or other foreign governments regarding particularly politicized projects such as the Nordstream II project could lead to the blacklisting of the specific energy infrastructure companies working on such projects by those governments or the customers responsible for such projects. Any such blacklisting by governmental or private actors could lead to the delay or complete stoppage of such projects, may make it more difficult to obtain new projects in the future and could lead to a general downturn in the market for critical on-shore energy infrastructure solutions.

Further, it is possible that government programs such as the European Green Deal program for the energy transition to a carbon free environment may lead to excess demand for corresponding infrastructure which in turn may attract non-traditional suppliers of such infrastructure from foreign countries and related industries to enter the critical on-shore energy infrastructure market. This could be potentially fostered by customers and regulatory bodies to adhere to project schedules, for example, by reducing market entry barriers such as through streamlining admissions criteria to our market.

1.1.6 We are exposed to potentially fluctuating demand due to the distribution over time of large-scale projects, which could result in temporary underutilization with adverse effects on our revenue and margins.

We operate in the critical on-shore energy infrastructure industry, which can be highly cyclical in nature depending on distribution over time of large-scale projects. Demand for our critical on-shore energy infrastructure solutions reflects such cyclicity and can fluctuate downward and may be significantly reduced by a number of events: (i) if a number of large-scale projects are completed at a similar time with no other large-scale projects in the market to fill the built-up capacity, (ii) if macroeconomic conditions such as high unemployment, lower consumer spending, lower corporate earnings and lower levels of government and business investment are prevalent, (iii) if government incentives or subsidies are drastically reduced, and/or (iv) if government decisions render existing on-shore energy infrastructure planning obsolete. The occurrence of any of these factors could result in temporary underutilization with adverse effects on our revenue and margins.

1.1.7 The deterioration of macroeconomic conditions, including those caused by the onset of COVID-19, in Germany and the EU and other markets in which we intend to enter may adversely affect our business and prospects.

Our business is affected by general levels of industrial and manufacturing output, public spending and investment levels as well as public incentives and subsidies especially on clean energy technologies for energy infrastructure, in Germany, the EU in general and other markets in which we intend to enter. As a result, our business can be adversely affected by downturns in the German economy and other European economies.

Our profit margins, as well as overall demand for our critical on-shore energy infrastructure solutions, could decline as a result of factors outside our control, including economic recessions, financial crises, periods of high inflation, fluctuations in interest and exchange rates, and changes in the fiscal or monetary policies of German and European governments, in particular as a result of changes due to substantial economic rescue programs implemented by the German government and other European governments in light of COVID-19, and further including any austerity measures or tax increases introduced in light of the recent governmental lockdown at the local, regional and national level in Germany and throughout Europe as a result of COVID-19.

We operate through four segments. In our Natural Gas segment, we group all projects and partial projects that contain solutions and services to customers in the natural gas infrastructure market and focus on the midstream sector of the market, *i.e.*, the on-shore transportation and transformation of raw natural gas into conditioned natural gas. In our Electricity segment, we group all projects and partial projects that contain solutions and services to customers in the electricity infrastructure market and focus on the on-shore transportation and transformation of electricity produced from climate-friendly, non-fossil energy sources such as wind, solar, water and renewable raw materials. In our Clean Hydrogen segment, we group all projects and partial projects that contain solutions and services to customers in the hydrogen infrastructure market and focus on infrastructure for the electrolyzation of hydrogen and its on-shore transportation and storage. In our Adjacent Opportunities segment we bundle all other projects and partial projects that do not fall into any of the above three segments but require related or similar technological approaches. For the fiscal year ended December 31, 2020, the majority of our revenue was attributable to sales of our critical on-shore energy infrastructure solutions in our Natural Gas segment to customers in Germany (which amounted to EUR 215,795 thousand or 74.0%), with the remaining portion related to sales in our Electricity segment (which amounted to EUR 36,335 thousand or 12.4%) and, to a lesser extent, to our Clean Hydrogen segment (which amounted to EUR 2,303 thousand or 0.8%) and our Adjacent Opportunities segment (which amounted to EUR 37,357 thousand or 12.8%). In the future we intend to extend our sales of our critical on-shore energy infrastructure solutions in natural gas, electricity and clean hydrogen to customers outside of Germany, in particular to customers in the EU or to German customers which require us to build up local level critical on-shore energy infrastructure assets to service their needs in their local markets, which will expose us to fluctuations in consumer spending, consumer confidence and other economic factors in those local markets.

With regard to the German and European market, the development of general adverse economic conditions in Europe, such as the continued impact of COVID-19, a re-emergence of the sovereign debt crisis, increased economic and political turmoil caused by the refugee crisis, a potential destabilization of the EU through political and economic disagreements among its member states, or a collapse or deterioration of the banking sector,

among other factors, could impact our existing contractual relations with our German and EU customers and the fulfilment of obligations by us and/or our customers (see "1.2.35. *We could be adversely affected by our customers defaulting on payments*" in this section). In addition, the agreement reached by the United Kingdom and the EU in late December 2020 regarding a formal exit process from the EU by the United Kingdom may lead to a number of economic uncertainties in European and global markets as to how this agreement will be implemented and interpreted by the parties.

The development of other economic and political conditions could also adversely affect our business, results of operations, cash flows, financial position and prospects. These include, among other factors, a continuation or further aggravation of the political and economic tensions between China and the United States, continued conflict between Russia and Turkey and Russia and the Ukraine, tensions between Turkey and its neighboring countries, an escalation of the conflicts in Syria, Armenia and Azerbaijan and neighboring countries, potential conflicts between the United States and Iran and their effects on global economic markets and in the Middle East and any deterioration in other markets in general. Many of these countries and regions play a central role in global energy supply and any significant disruptions in those areas could have a direct material adverse effect on our business and core markets.

1.1.8 Our ability to compete in the market for critical on-shore energy infrastructure solutions depends on our ability to anticipate market trends and developments. If we are unable to anticipate market trends and developments, this could have adverse effects on brand reputation and ultimately revenue.

Our future success depends on our ability to tailor our cutting edge technologies to the needs of our customers' individual projects and our reputation as a technology leader depends to a certain extent on our ability to invent cutting-edge technological solutions which can be generally used in the context of energy infrastructure solutions.

To maintain our market position, we must accurately predict market trends and developments, and provide sufficient investments in innovative research and development ("**R&D**") corresponding to those market trends and developments. The precise predictions as to market trends and developments as well as the strategic investment decision to respond to those market trends and developments are subject to uncertainty, in particular with respect to the infant stage of the clean hydrogen market, the growth of which could encounter significant delays. In addition, the requirements for our on-shore energy infrastructure solutions can also change substantially over time. There can be no assurance that our predictions will be accurate and that our R&D investments will prove successful in addressing the relevant market trends and developments within the expected time schedule or at all. Based on our own analysis, we plan to invest significantly in the development of our clean hydrogen technology, European business development and in the eventual large-scale industrial production of our critical on-shore energy infrastructure. If we misjudge the development of the market for clean hydrogen solutions, future technical requirements of our customers, consumer preferences or the behavior of our competitors, our investments or strategic decisions could turn out to be mistaken (see "1.1.4. *Any failure on an industry-wide basis to develop the necessary technology to harness and convert clean hydrogen, including our critical on-shore energy infrastructure solutions, to usable energy transport and storage means for industry, transportation and heating purposes could impede the development of the clean energy market and have a material adverse effect on the growth potential of our overall business*" in this section).

Furthermore, there can be no assurance that our customers will not substitute our generally marketed on-shore energy infrastructure solutions with those of our competitors. In addition, there can be no assurance that our competitors will not gauge market trends and developments in their R&D efforts more accurately or develop products which render ours obsolete or not cost effective. Any failure to regularly invent cutting-edge components and technological solutions may damage our reputation as a technology leader and ultimately have a material adverse effect on our business.

Due to the complex and advanced nature of our critical on-shore energy infrastructure solutions, we face technological challenges that arise in the development and manufacturing of new products, which may lead to, for example, cost increases, quality issues, or delivery delays. In one matter during the periods under review, a project was delayed for six months, and we incurred approximately EUR 600,000 in additional costs.

The occurrence of any of these factors could adversely affect our brand reputation and ultimately our revenue.

1.1.9 The energy infrastructure market is subject to disruptive developments, and we may be too slow or even fail to adapt our business model and our critical on-shore energy infrastructure solutions to future innovative and disruptive developments or such disruptive developments may render our solutions obsolete. This could have an adverse effect on our revenue.

We focus on the development of critical on-shore energy infrastructure solutions. In the fiscal years ended December 31, 2018, 2019, and 2020, we generated revenue of EUR 105,873 thousand, EUR 179,331 thousand and EUR 291,791 thousand, respectively in our critical on-shore energy infrastructure business. While coal power generation is currently under pressure due to the prevailing trend towards more sustainable power generation using clean energy solutions, including clean hydrogen, there can be no guarantee that this trend toward the use of clean energy solutions will not be overtaken by the development of other currently unknown more environmentally-friendly or cost-effective technologies in the future or that advances in nuclear-based energy generation technologies become so cost-efficient and safe that they render the further reliance on clean energy technologies as not attractive or cost-effective. Likewise, there can be no assurance that politics and policies as to the viability of nuclear power production will not change. If a new federal government comes into power in Germany in 2021 and allows nuclear power production to continue beyond 2022, this could render currently planned investments in natural gas infrastructure may be rendered obsolete. In this sense, our intended shift to clean-hydrogen solutions may also not prove to be commercially viable. Such trends are impacted by several factors beyond our control, in particular by advances in science and technology, government intervention, public and private initiatives, the efficiency and cost of renewable energy technologies, the development of currently unknown environmentally friendly technologies as well as selectiveness of and restrictions for investors and lenders and changing consumer preferences in energy consumption. Most of these interventions and initiatives are directed to limit global climate change and to accelerate the de-carbonization of industry and transport, however, our clean-hydrogen products may be overshadowed by such future "greener" technologies.

In addition, if such developments were to occur and result in fewer current orders for our critical on-shore energy infrastructure solutions, our aftermarket services business, which, in the fiscal year ended December 31, 2020, generated EUR 49.1 million of revenue, might also be affected insofar as there would be fewer opportunities to conclude new service contracts related to servicing new critical on-shore energy infrastructure solutions. We have significantly expanded our order intake for the periods under review and as of December 31, 2020, we had an order backlog of EUR 307 million and additional projects for which we are bidding with a potential contractual volume of over EUR 745 million. Our service backlog may be affected if customers decide to decommission their plants, other assets or to cancel or postpone modernizations. As of December 31, 2020, we had more than 78 long-term service contracts in place with an average duration of 4.4 years. Our customers could seek to renegotiate their long-term service contracts, which may result in less volume or less favorable conditions for us.

Should the clean energy market develop more dynamically than expected or lead into another direction than we expected, we may miss business opportunities, and this could adversely affect our revenue.

1.1.10 The decision by the German government to stop nuclear and coal power production in light of the planned clean energy transition to a carbon neutral environment in the EU could lead to the temporary undersupply of electricity in the German electricity system. Any such undersupply in the German market which cannot be offset by the immediate import of electricity from neighboring countries could lead to regional, national or European level disconnects or blackouts, which, in turn, could lead to renewed calls for reliance on nuclear or coal power production in Germany for which the energy infrastructure is in place.

The German electricity system was primarily constructed to rely on energy produced by nuclear power or coal. The decision by the German government to discontinue nuclear power production by 2022 and coal power production by 2038 was made in light of its decision to implement the clean energy transition to a carbon neutral environment in the EU, which has led to a continual increase in the reliance on renewable energy sources to provide electricity in the German electricity system. We have largely built our business model around this trend. However, renewable energy sources such as wind energy and solar energy are by their nature volatile and do not match up with market demand. As nuclear power and coal power producing plants are taken off the grid, renewable energy sources may not be able to provide enough energy to meet demand in the German electricity market. Any such undersupply would have to be offset by the immediate import of electricity from neighboring

countries of Germany. If such imports are not available to offset these shortfalls to the necessary extent, this could lead to load-shedding, *i.e.*, the forced disconnect of a number of large-scale consumers in the EU some of which have voluntarily agreed to be disconnected in the event of a potential power blackout. If this voluntary disconnect is not sufficient to offset the undersupply of electricity, this could lead to electricity blackouts on a regional, national or European level.

Any ongoing shutdowns on a regional, national or European level could lead to renewed calls for reliance on nuclear or coal power production in Germany for which the energy infrastructure is in place. Such a development could render the investments in our critical on-shore energy infrastructure solutions obsolete.

1.1.11 We are exposed to seasonal fluctuations and cycles in the critical on-shore energy infrastructure industry as a result of which the recognition of revenue may fluctuate.

The performance of our critical on-shore energy infrastructure projects depends, to a certain extent, on good weather conditions. Because we mainly operate in Germany, this usually means that our critical on-shore energy infrastructure construction activity is reduced during the winter months between December and February in Europe or in prolonged periods of adverse weather. This means that our revenue recognition and cash flow during these months is adversely affected, which in turn adversely affects our results of operations during those months. Any long-term adverse weather conditions outside of these months may also have the same adverse effect on our results of operations. Sales and earnings fluctuations, resulting from unfavorable weather, may lead to a fluctuation of the recognition of our revenue.

1.2. Risks related to our Business

1.2.1 We are exposed to calculation and execution risks relating to our engagement in the design, construction, installation and servicing of individual projects, including large-scale turnkey projects, in the critical on-shore energy infrastructure industry and the framework agreements under which we provide these engagements. The materialization of any such risk could adversely affect our margins.

We regularly engage in the design, construction, installation and servicing of individual projects, including large-scale turnkey projects, in the critical on-shore energy infrastructure market which may be worth, or even exceed a value of, tens of millions of euro and these projects subject us to calculation and execution risks, in particular with the planning and execution of major turnkey projects and long-term service contracts. For a significant portion our business, our success depends on the cost/revenue ratio being accurately calculated and controlled and contracts being executed and completed on schedule, so that costs are contained within the pricing structure of the relevant contract. A significant number of contracts are based in part on cost calculations that are subject to a number of assumptions.

If estimates of the overall risks or calculations of the revenue or costs prove inaccurate or circumstances change, we may suffer reduced margins or we may incur losses on such contracts, which could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects.

Cost overruns for individual projects and long-term contracts can be attributable to a number of factors, including but not limited to significant miscalculations of the overall resources needed for a particular project or under a particular contract, the need to invest additional financial and management resources to correct improperly implemented infrastructure hardware and software, changes in the plans of our customers leading to project delays or changes in the scope of the project, the need for our subsidiaries to incur more debt financing to complete certain projects or contracts, unanticipated technical problems or events such as chemical or oil spills or breakdowns in the infrastructure (electricity grid network or pipeline structure) which are not covered by our insurance, a general lack of cost control, unexpected increase of costs for components and materials required for the manufacturing of our equipment, difficulties in the performance and potential bankruptcy of subcontractors, business partners, suppliers or third parties, failure to meet productivity or scheduling estimates, difficulties in obtaining permits or approvals, unforeseen increases in the costs of inputs or underlying materials for these inputs, components, equipment, labor or the inability to obtain any of these on a timely basis, the limited possibility to pass on price increases to clients, and the realization of unforeseeable risks or unforeseen changes in the assumptions being made. We may also be unable to perform our services on schedule and be exposed to

compensation claims due to factors beyond our control, e.g., weather conditions, unforeseen and unforeseeable ground conditions, delays caused by accidents or a failure on the part of a principal to cooperate or to perform preparatory work or services or to deliver requisite components and systems in line with agreed contractual arrangements.

If for a particular contract the calculation or estimates of overall risks, revenue or costs prove materially inaccurate or circumstances change to a material extent, we may incur reduced margins, our profits may be lower than expected, or the project or contract may even generate a loss. Such losses can be significant in particular where major turnkey projects are concerned. In certain cases, we may also be required to make significant unscheduled capital expenditures to remedy a particular situation.

Events beyond our control may also affect our ability to calculate the risks associated with and successfully execute projects according to plan. For example, as a result of COVID-19, we were forced by several customers to temporarily close our operations at their sites, and our workers were not permitted to enter the customers' site, leading to the temporary delay of some of these projects. Some of our offices and production facilities operated below full capacity for several weeks, and in some cases resulting in production downtimes and delays, in our business operations, which led to an overall decrease in our revenue. We estimate that these closures and temporary work stoppages cost us a low single digit EUR million figure in 2020 in our overall results. Similar restrictions for our offices and production facilities or even closures may occur in the future, especially considering the "second wave" of COVID-19, which started in the fall of 2020 and has continued into 2021 has already led to a strict shutdown at the local, regional and national levels in Germany. In addition, additional delays in the awarding of contracts resulted in the past from and may result in the future from working and travel restrictions imposed by government action. (See "1.2.18. Our critical on-shore energy infrastructure industry and business operations are subject to various risks relating to global or local outbreaks of infectious diseases and other public health crises. In particular, we have been affected from the economic fallout of the outbreak of COVID-19, which could further reduce our revenue and margins" in this section.)

We are also likely to face additional challenges in the future with project performance and execution in line with the increased size of our large turnkey projects we will be undertaking. If we do not meet our customers' expectations, we might not be able to collect payment for the relevant contract, become subject to penalties or contract termination, and our market position may deteriorate. More specifically, the technical requirements and specifications that are provided to us at the time a project is awarded are often not as detailed as required for accurate planning and economic calculation. As a result, we may face incalculable additional expenses and quality risks.

1.2.2 We participate in both public and private tender offer processes as part of our business. The failure to obtain new contracts in such tender processes, some of which are substantial large-scale projects, may adversely affect our revenue.

We are primarily awarded our contracts through tender offer processes from private corporate customers and governmental organizations, some of which are substantial large-scale projects. Until December 31, 2020, we were participating in more than 200 tender processes in Germany and the EU. In many instances, participation in the bidding process is only permitted following a prequalification phase, where the bidder's eligibility to carry out the project is examined on the basis of certain parameters such as financial capacity, experience and expertise, personnel and equipment. The structure, terms and requirements of a public tender process is often set by applicable domestic regulations and public procurement laws and regulations in Germany and the EU. Bidders tendering for a contract are subject to long and complex tendering procedures and face the risk that competitors will challenge the invitation to tender or the award. In governmental tenders, client relationships are of minor relevance due to statutory procurement law requirements predefined and objective award criteria. In the public sector, procurement laws typically require that contracts are awarded to those who submit the most competitive bid, meaning the most economical but not necessarily the cheapest offer. In practice, however, the principal criterion for the award of the contract often turns out to be price. Qualitative criteria such as references, capacity and financial strength are also applied, in particular during the prequalification phase in which the bidder's eligibility to carry out the project is examined. As a result, if we are not able to obtain new contracts in public or private tender offer processes, this could have a material adverse effect on our business, financial condition and results of operations. In addition, if we breach any rules of the tender process, we may lose the bidding procedure

for the particular project, incur losses and damages if the breach occurs after the awarding of the contract, and may no longer be invited to participate in such tender offer processes for any particular customer. It is also important for us in some tender proceedings to bid for contracts which we do not necessarily have the requisite resources to complete or interest in being awarded the particular project but are required to provide a proposal in order to stay on the list of companies which are invited to pitch in such tender proceedings. This process can cost us valuable management resources which we would otherwise normally deploy for our existing or future projects.

In addition, the onset of COVID-19 has led to a general slowdown in the awarding of public or private tender projects and any continued adverse economic effects associated with COVID-19 could lead to further delays in the awarding of such tender projects.

1.2.3 We rely on a changing, but limited number of large key customers, the loss of which could materially adversely affect our business.

We rely upon a changing, but limited number of large key customers, for our revenue, and there can be no assurance that we will be able to maintain these large key customers. If we are unable to maintain our existing relationships with such customers or do not meet their standard requirements to enter into a contract or obtain new relationships with customers, we may not be able to achieve the desired development of our market share. In addition, large companies such as these key customers have extensive revision departments which monitor the terms and conditions of contractual relationships with outside providers. If any of these revision departments believed that the terms and conditions of the agreements with these outside providers needed to be revised, they could require us to renegotiate such agreements on terms and conditions unfavorable to us. Existing relationships with customers may also be subject to change as a result of changing customer priorities, external pressures or the deterioration of a customer's financial condition, any of which may alter the customer relationship, including by way of customers seeking to renegotiate previously agreed terms. Our dependence on a small number of key customers may also require us to accept commercially unfavorable conditions in the future in order to maintain customer relationships and could expose us to the risk of substantial losses if one of our key customers decided to terminate its contractual relationship or decrease the respective volume under such contract with us.

Furthermore, if a number of these customers lose market share as a result of the dramatic change in the critical on-shore energy infrastructure market and, in turn, reduce their orders for our critical on-shore energy infrastructure solutions, our revenue may decrease if we are not able to off-set such losses through the acquisition of new customers.

In addition, if any of these customers were to consolidate with any of their competitors, which are currently not our customer, this newly consolidated competitor may insist on us renegotiating previously agreed upon contractual terms or we may lose our relationship with such customer.

1.2.4 If we are unable to attract or retain key employees and qualified management personnel, or have to rely disproportionately on specialized subcontractors, our ability to compete could be harmed, and we may have difficulty in fulfilling existing contracts because of lack of qualified capacity.

Our future success depends upon our ability to attract and retain our members of the management board and our technical engineers, our executive officers and other key technology employees, project managers, pre-sales engineers, procurement agents and support personnel. Especially the loss of the services of any of our key employees, in particular our management board members, our highly technical engineering personnel or the need to disproportionately rely on specialized subcontractors, could disrupt our operations, adversely affect our ability to compete and delay the development and introduction of our critical on-shore energy infrastructure solutions. There can be no assurance that we will be able to successfully attract and retain employees necessary to grow our business.

We have in the past and may in the future experience difficulty in retaining members of our senior management team. We have anti-competition clauses in some of our service agreements with our senior employees which restrict them from certain business activities. However, because there is increasing competition for talented individuals with specialized knowledge and relevant experience in our markets, such anti-competition clauses may not prevent such individuals with specialized knowledge from being hired by our competitors. Such competition

affects both our ability to retain key employees and hire new ones and any failure to do so could adversely impact our business.

One of the key reasons for purchasing Bohlen & Doyen was to acquire its highly technical engineering personnel who could assist us in complex critical on-shore energy infrastructure projects. If we were to lose such highly technical engineering personnel as we continue to grow our business, we would be forced to possibly replace them with less highly trained subcontractors.

The occurrence of any of the above factors impede our ability to compete, and we may have difficulty in fulfilling existing contracts because of lack of qualified capacity.

1.2.5 Any revocation or withdrawal of or amendment to key certifications, licenses, authorizations and permits for the operation, installation and servicing of our critical on-shore energy infrastructure solutions could lead our customers to terminate their business relationships with us, make it difficult for us to win new customers or may ultimately lead to a prohibition to operate our business.

We operate in a highly regulated market and have a number of key certifications, licenses, authorizations and permits for operating, installing and servicing our critical on-shore energy infrastructure solutions which are required by applicable law and/or by our customers. In connection with the provision of our services, as of December 31, 2020, we have been issued more than 50 certifications, licenses, authorizations and permits which we deem material for our business operations. A certification, license, authorization and permit could be revoked, withdrawn or amended if there is a breach of a collateral clause, a subsequent change of facts or relevant legislation, a violation of a financial covenant, such permit is found to be contrary to the public interest, the holder of the license is in breach of its duties or it is deemed required to prevent severe harm to the common good. If any of our certifications, licenses, authorizations or permits were revoked, withdrawn or amended, this could lead our customers to terminate their business relationships with us, make it difficult for us to win new customers or may ultimately lead to a prohibition to operate our business

1.2.6 Any failure to meet quality standards, customer specifications, customer expectations could negatively affect our reputation and negatively affect the market acceptance of our products.

In order to maintain high quality standards for our products and comply with government-prescribed safety, security and other standards, we incur substantial costs for monitoring, certification and quality assurance and research and development. Meeting government-mandated standards is costly and often technologically challenging, particularly in cases where required standards conflict with one another. Standards might change over the course of a project, adding cost to product development or production that we may not be able to recover from our customers. In addition, there is a risk that the quality tests we carry out prove to be insufficient.

Moreover, most customer orders have unique specifications, which may be subject to change over time and require extensive customization. We are facing constant challenges to meet these specifications and demands of our customers. Even when we meet contractually agreed specifications, our products may be deemed "not fit for purpose" due to an actual or perceived discrepancy between the contractually agreed specifications and the needs of the persons operating our products, or the platforms in which our products are integrated.

1.2.7 We face risks resulting from acquisitions, including difficulties regarding the integration of the acquired business. Similar risks exist in connection with entering into or exiting from joint ventures with partners. The materialization of any such risk could affect our results of operations and equity ratio.

We have completed a number of acquisitions during the period under review, including Bohlen & Doyen Bau GmbH, Wiesmoor and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor (together, "**Bohlen & Doyen**"), the acquisition of the assets of EEE Engineering GmbH which led to the founding of Vorwerk-EEE GmbH, the acquisition of the assets of MESA Elektrotechnik GmbH, which were incorporated into our MESA business unit within Vorwerk Pipeline- und Anlagenservice GmbH and the acquisition of EAS Einhaus Anlagenservice GmbH. We intend to continue growing our business in the future through mergers and acquisition and also intend to enter into joint ventures with other business partners depending on the type, scope and location of a particular project.

Mergers and acquisitions are inherently risky because of difficulties that may arise when integrating personnel, operations, technologies and equipment. There can be no assurance that any of the businesses we acquire can be integrated successfully and on schedule, that they will perform as anticipated once integrated, or that any potentially anticipated synergies can actually be realized. This is especially the case considering that a number of acquisitions were undertaken during the periods under review. Moreover, we may be unable to retain key personnel and key customers of the acquired businesses. We may also assume material unknown risks and liabilities if we fail to accurately assess these prior to the acquisition, and there can be no assurance that we will have recourse claims against the sellers of the acquired business. Acquisitions may be capital intensive and tie up valuable management resources. Furthermore, there can be no assurance that we will be able to identify suitable targets or complete acquisitions on favorable terms or at all or that we will not overpay for such acquisitions.

For example, the former parent company of Bohlen & Doyen had installed a firm-wide SAP system before the acquisition as a normal course of business. As part of the acquisition, we had to carve out the Bohlen & Doyen business from the parent company's SAP system and integrate the Bohlen & Doyen business in our existing ERP system. If any information (financial, statistical, reporting, accounting, procedural or otherwise) had been lost or incorrectly transferred during this process such that we incorrectly reported any of this information, it could materially adversely affect our business or give investors an inaccurate picture of our business. It is also possible that a third party could bring an action against us based on Bohlen & Doyen's previous business activities before the acquisition.

In addition, we incur significant transaction costs, administrative costs, tax and other expenditures in connection with these transactions, including costs related to integration of acquired businesses. We may also incur unforeseeable additional costs relating to such transactions. Furthermore, portfolio measures may result in additional financing needs and adversely affect our capital structure. Acquisitions can lead to substantial additions to intangible assets, including goodwill, in our statements of financial position. If we were to encounter continuing adverse business developments or if the acquired businesses were to perform worse than expected, then these intangible assets, including goodwill, may have to be impaired, which could adversely affect our business.

1.2.8 We depend on significant revenue generated from large-scale projects for the critical on-shore energy infrastructure market and any loss or postponement of such large-scale projects would materially adversely affect our capacity utilization rate.

In the fiscal years ended December 31, 2018, 2019 and 2020, respectively, large-scale projects, namely projects with a contract volume of more than EUR 20 million, contributed 16%, 22% and 30%, respectively, to our revenue for the periods under review. The implementation of large-scale projects, such as the Zeelink project, the PIGSAR Closed Loop project, and the Thyssengas Compressure Station Ochtrup, requires a high degree of management attention and capacity utilization. While expenses related to material and – to some degree – personnel are variable costs, our up-front investments in equipment as well as research and development require long-term forecasting and significant capital expenditures. Therefore, we need to execute large-scale projects to cover the costs of equipment as well as research and development costs for our underlying business. Large-scale projects are characterized by a high degree of capacity utilization of large and specialized construction equipment and technology and a high return on investments in research and development and generally also involve longer term scales, thus reducing the exposure to cyclical factors to which we would otherwise be exposed. If we are unsuccessful in being awarded large-scale projects for any other reason, this may lead us to incur a considerable loss of revenue and impose cost burdens on us.

1.2.9 Our costs for purchasing components for critical on-shore energy infrastructure solutions are subject to price fluctuations and other factors beyond our control, and we may not be able to pass any price increases on to our customers.

We produce our own components or purchase components from suppliers for our critical on-shore energy infrastructure solutions depending on our capacity utilization. In the fiscal years ended December 31, 2018, 2019 and 2020, we incurred costs of EUR 39.0 million, EUR 82.5 million and EUR 128.5 million, respectively, in relation to the purchase of components and raw materials from suppliers as well as purchased services and trade goods, respectively. Fluctuations in the costs of the components we purchase may affect the costs of our critical on-shore energy infrastructure solutions. We may not be able to pass those costs on to our customers.

The costs of the components vary depending on capacity utilization rates at our suppliers, quantities demanded from our suppliers, product technology and product specification. As a result, the costs of our components can vary materially in the short-term and, in cases of supply shortages, can increase significantly. Although we attempt to pass on cost increases to our customers with higher sales prices, we have not always been able to do so successfully in the past and may not be able to do so in the future. Any price increases we cannot fully pass on to our customers may materially affect our sales or reduce our profitability. During periods of declining prices of the components, customer demand may also require that we sell our solutions at lower prices, in spite of the fact that we may use existing inventories that were purchased at higher prices, thereby negatively impacting our margins.

1.2.10 We work in project joint ventures (*Arbeitsgemeinschaften*) with other service providers on certain large-scale projects under which we could be held liable for their work product.

For a number of our large-scale projects, we work in project joint ventures governed by German law with other service providers. This type of work generally takes two forms. We either divide up specific tasks on a particular project with each service provider having a distinct and separate task in the project or we work on the entire project with other service providers and divide up the work for the whole project with all service providers working on the same tasks. In either case, we are exposed to the faulty work or errors made by the other service providers or accidents caused by them and may not be able to avoid additional project completion costs, as well as liability from or pay significant penalties to our customers in the event that the other service providers commit such faulty work or are responsible for errors or accidents. In addition, one of our joint ventures is governed by Danish law. As a result, we could be exposed to additional risks associated with any violations of this joint venture governed by Danish law, which may not otherwise be applicable under German law.

1.2.11 The inability of our suppliers to deliver necessary components and services for our business could impact our ability to meet the demands of our customers or to operate our business at current production levels, which could lead to additional project completion costs, as well as liability from or payments in the form of significant penalties to our customers.

We purchase a number of different components and services from a variety of different suppliers around the globe, a few of which may depend on single source suppliers. Establishing and maintaining strong relationships with these suppliers is an important aspect of our ability to successfully conduct our business. If any of our key suppliers for components or services ceases to conduct business with us, delivers sub-quality components or services, stops supplying components or services on favorable terms, reduces the type of components or services it sells or significantly changes the terms of our business relationships to our disadvantage, our ability to meet the demands of one or more customers or to operate our business at current production levels could be adversely affected.

In addition, if we experience unanticipated significant increased demand, or need to replace our existing suppliers on short notice, especially our single source suppliers for which we cannot find alternative sources of supply, there can be no assurance that additional suppliers of components or services will be able to provide us with the necessary products or services when required on terms that are acceptable to us, or at all, or that any supplier will be able to provide us with the necessary services on acceptable terms in order to meet our requirements or fill our orders in a timely manner.

The occurrence of any of these risks could lead to additional project completion costs, as well as liability from or payments in the form of significant penalties to our customers.

1.2.12 The failure of any of our pilot projects built for or presented to existing or potential customers could adversely affect our reputation and business and our prospects.

As part of our business, we develop tailor-made pilot projects to address the specific needs of certain customers or because we believe that a certain type of energy infrastructure solution can generate increased sales if we present such technology in the form of a pilot project in the energy infrastructure market. There can be no assurance that we will be able to complete these projects as planned or at all, which could delay implementing our clean energy business strategy. Should any of these pilot projects not gain customer or market acceptance or fail for any other

reason, it could have a material adverse effect on our reputation for innovation in the energy infrastructure market, on our business and our prospects.

1.2.13 We are subject to risks from legal, administrative and arbitration proceedings, the outcome of which could harm our margins, results of operations and reputation.

We are and, in the future, could be, involved in a number of legal, administrative and arbitration proceedings related to products, patents and other matters incidental to our business. Similarly, our management and the management of our subsidiaries may also be or become involved in certain legal and administrative proceedings. Irrespective of the outcome of such proceedings, we may be exposed to reputational risks as a result of the news coverage in connection with these proceedings. For example, we are aware of a criminal sentence by a regional court (*Landgericht*) against a former senior executive of SKS Straßenbau GmbH, a joint venture subsidiary of the Company, for bribery payments that were made prior to the Company's acquisition of the participation in this joint venture subsidiary. Concurrently, the court has ordered the sequestration of proceeds (*Einziehung*) in the amount of EUR 0.1 million against the joint venture subsidiary. The prosecution and the joint venture subsidiary have each filed appeals (*Revision*) against the court ruling. In addition, civil proceedings against the former executive and the joint venture subsidiary are ongoing. Any judgment against us, individuals or entities associated with us in ongoing or potential future civil or criminal proceedings could also significant harm our reputation and margins.

1.2.14 We may become subject to product liability claims, statutory liability claims, and claims regarding specific performance of or defects in equipment through which hazardous materials are transported and for which we are deemed to be responsible.

We are a manufacturer, supplier and, in some cases, operator of critical on-shore energy infrastructure equipment. Our customers use this equipment to transport materials, including hazardous materials. We may become subject to contractual damage claims, tort claims, product liability lawsuits and other proceedings alleging violations of due care, violations of warranty obligations (in particular, such as timely delivery, technical availability (percentage of downtime) of our equipment, certain minimum production output, compliance of our equipment and services with technical specifications and others), errors in the use of the equipment due to incorrect instructions provided by us, product defects such as torn pipelines, ruptured tanks and pressure vessels and defective gaskets through which our customers' hazardous materials are transported by them, blackouts caused by delays in delivery and defective equipment. In addition, we can be sued based on violations of safety provisions and claims arising from breaches of contract (including but not limited to delivery delays), recall actions or fines imposed by government or regulatory authorities in relation to our products. If our equipment is improperly used or not properly maintained and serviced, or safety procedures are not followed or such equipment is faulty, we could be exposed to claims including tort claims for injury, loss of life or damage or loss property and significant environmental damage. This may also include claims for subsequent damages resulting from blackouts or service disruptions caused by defective products. Any such proceedings may trigger governmental compliance investigation and/or prosecution against our organization which could result in significant fines imposed by the government.

Any such lawsuits, proceedings, statutory liability claims and other claims caused by such events could result in increased costs for us. Such events could result in loss of market acceptance and reputation, loss of revenue and customers and the loss of approvals which could materially adversely affect our business. The risks arising from such product liability lawsuits, proceedings, statutory liability claims and other claims are insured to the extent we consider economically reasonable, but the insurance coverage could prove insufficient in individual cases and at any rate will not protect us from damage to our reputation. In a worst-case scenario involving recalls of our critical on-shore energy infrastructure solutions, we could be forced to pay significantly more for the recalled products than the actual value of the critical on-shore energy infrastructure solutions initially sold by us to produce such products.

In addition, our customers require at times a contribution from, or indemnity by, their suppliers for potential product liability, warranty and recall claims and we have been subject to continuing efforts by our customers to change contract terms and conditions concerning warranty and recall participation.

We also manufacture our critical on-shore energy infrastructure equipment pursuant to customers' specifications and performance and quality requirements. If we do not timely deliver our critical on-shore energy infrastructure equipment, we are generally subject to limited contractual penalties based on the period of non-performance relating to the late shipment of our on-shore energy infrastructure equipment. If we deliver our critical on-shore energy infrastructure equipment but the critical on-shore energy infrastructure equipment is not compliant with our contractual requirements with our customers, we are required to remedy any such issues. If we are unable to remedy such issues, our customers have the right to rescind from the contract and thus require us to take back the critical on-shore energy infrastructure equipment against re-payment of the purchase price received by us and any related costs incurred in connection therewith or to instruct a third party at our expense and against crediting of any tranches of the purchase price not already paid either to identify and remedy such issues or to disassembly and provide a substitute critical on-shore energy infrastructure equipment. Furthermore, our customers could potentially bring claims for damages on the basis of *culpa in contrahendo* or breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of our Friedrich Vorwerk brand and our market reputation.

1.2.15 The future development of our business depends in general on retaining existing customers in our natural gas and electricity businesses and on attracting new customers for our clean hydrogen business. If we are unable to do so, we may not be able to maintain profitability and grow our business.

Our future development depends primarily on retaining existing customers in both of our Natural Gas and Electricity businesses and on attracting new customers to our Clean Hydrogen business. In the fiscal year ended December 31, 2020, our Natural Gas business and Electricity business together accounted for almost all of our revenue. If our existing and prospective customers do not perceive that our critical on-shore energy infrastructure solutions are of sufficiently high value and quality at competitive prices, we may not be able to retain our current customers or attract new customers, and our business may be materially adversely affected.

1.2.16 The intended development of our clean hydrogen business carries various risks which may adversely affect our prospects.

In the fiscal years ended December 31, 2019 and 2020, we collectively generated 82.3% and 86.4% of our revenue from services related to our Natural Gas and the Electricity segments, respectively. As we gradually shift our resources and operations to our Clean Hydrogen segment, we run the risk of losing our market share in the Natural Gas and Electricity businesses, in particular because we may not have enough capacity to fulfil all customer orders in our Natural Gas and Electricity businesses. If our Clean Hydrogen business does not develop as expected, we could fail to retain key customers in our Natural Gas and Electricity businesses due to the aforementioned capacity shift, which could ultimately result in having significantly lower overall margins and revenue than expected.

Even though we have long-standing experience in serving customers in our Natural Gas and Electricity businesses, we only have limited experience in selling and in operating our critical on-shore energy infrastructure solutions in the Clean Hydrogen business, and we may not accurately gauge some of the uncertainties associated with the market. As a result, we may not be successful in marketing and selling our critical on-shore energy infrastructure solutions in the clean hydrogen market and thus retaining existing and attracting new customers in this market.

Moreover, our current plans to build up a clean hydrogen infrastructure may prove prohibitively expensive and lead end-user customers to seek other fuel alternatives for their businesses, including a continued reliance on natural gas alternatives and/or moving their factories abroad to take advantage of less costly fuel alternatives.

In addition, other companies are involved in the development of clean hydrogen technology as well and are preparing to introduce equipment and technologies to the market or have already introduced them. Some of these companies have announced that their technology is ready for commercial use, claiming that it is superior to other technological approaches, including our future models. Some of these companies have greater financial resources than we do. Other companies may be supported in their research and development by significant government subsidies and other sources of funding. If these companies should also become commercial providers

of clean hydrogen systems, they could increase competitive pressures for us and therefore might have a negative effect on our prices and margins or even force us to exit the market.

1.2.17 We have historically relied on the use of a significant number of subcontractors for our critical on-shore energy infrastructure projects and any default of, delay or underperformance by subcontractors could result in reputational damage, additional liability risks or otherwise financially material impacts.

A significant portion of our construction, installation and servicing work in the past has been historically performed by third party subcontractors, to whom we assigned, in certain cases significant, construction, installation and servicing tasks. As a result, if a subcontractor fails to provide timely or adequate services, as required under our contract with our customer, we may be required to source such services at a higher price than anticipated or may be exposed to potential liability claims if the quality of the work provided by the subcontractor was below standard. Furthermore, if we are not able to find alternative sourcing in time, we may fail to meet our obligations to complete construction works in the required quality and/or time, which could expose us to further potential liability, including contractual penalties. These risks may be intensified when subcontractors experience financial difficulties, lack the financing to fund their operations or even become bankrupt.

1.2.18 Our critical on-shore energy infrastructure industry and business operations are subject to various risks relating to global or local outbreaks of infectious diseases and other public health crises. In particular, we have been affected from the economic fallout of the outbreak of COVID-19, which could further reduce our revenue and margins.

We are active primarily in Germany and, as such, directly and, through our globally active customers and suppliers, indirectly exposed to various risks arising out of or in relation to global and local spreads of infectious diseases, such as the recent outbreak of COVID-19, or other forms of public health crises. Risks stem not only from the immediate effect of such crises but also from any measures aimed at limiting their impact, including, but not limited to, restrictions on travel, imposition of quarantines, prolonged closures of workplaces, refusal of allowing employees access to work sites, curfews or other social distancing measures, including the social impact of such measures. Such measures may be required by public health laws, imposed by public authorities on international, national or local level, required under best practices in our industries or implemented under our own or our customers' or suppliers' environmental, health and safety ("EHS") standards. COVID-19 has already resulted in lockdowns and various levels of restrictions of movement being imposed globally, including Germany and Europe and other countries where we sell our critical on-shore energy infrastructure solutions. The restrictions include curtailing travel, closure of schools, prohibitions of mass gatherings and mandatory remote working. The extent to which global and local economies, the industries in which we are active in, our business operations and the business operations of our customers are affected by public health crises depends on a number of factors. These factors include, but are not limited to, the spread of diseases and the duration of outbreaks, timing, adequacy and effectiveness of countermeasures imposed by public health laws or public authorities at international, national or local level and the level of civil compliance with such measures. There can be no guarantee that such measures, or a combination thereof, are effective means to combat such an outbreak and the implications resulting therefrom. A continuing public health crisis due to the inefficiency of relevant measures as well as the effects of the countermeasures themselves may have material adverse effects on our business, results of operations, cash flows, financial position and prospects.

In particular, we are subject to the following risks relating to such crises:

- the spread of infectious diseases among our workforce may adversely interrupt, and even result in a shutdown of our production, our customers' project sites, internal functions and aftermarket services, particularly in the case of a high sickness rates or quarantines, which has resulted and could result in a loss of productivity. Social distancing according to public health laws or our EHS standards in factories, offices and sites has already led and may lead to inefficiencies or cost increases. Under such laws and standards, we may be required temporarily to suspend our activities, in particular the execution of our projects, which could materially adversely affect our internal processes and supply chains. Some of our customers have restricted the entry of our employees to their work sites as a result of COVID-19;
- similar risks affecting key suppliers and restrictions to the free transfer of goods and supplies on which we depend have already led and may lead to supply chain disruptions and may eventually result in shutdowns of

our production facilities, and we may not be able to fulfil our obligations towards our customers in a timely manner and our customers may terminate their contracts with us to save costs. If we are unable to perform our contractual obligations, we may be subject to claims of non-performance or damages. If our customers are unable to fulfill their contracts with us or find sufficient financing to fund their operations, we may have to renegotiate our contracts with them or delay the performance of our work at customer sites, any of which could lead to a reduction in our margins and adversely affect our business;

- in addition to these risks, the imposition of travel restrictions may also adversely affect our businesses. For example, we are part of a project joint venture in Denmark which requires travel by our staff in 2021 and beyond, and current and any further restrictions on travel to Denmark and back may result in a delay to the overall project timetable. In addition, our aftermarket services business relies on our and our project partners' and contractors' ability to send personnel on-site and to provide installation and service capacities, the lack of which could result, *e.g.*, in service outages. The impact of public health crises and countermeasures in connection with COVID-19 have already had and may continue to have detrimental effects on the execution of our projects (see also "1.2.1. *We are exposed to calculation and execution risks relating to our engagement in the design, construction, installation and servicing of individual projects, including large-scale turnkey projects, in the critical on-shore energy infrastructure industry and the framework agreements under which we provide these engagements. The materialization of any such risk could adversely affect our margins.*") and have caused our customers in certain cases to restrict the access of our employees to their work sites, which may lead to a lower order intake and deferred or lower revenue recognition and cash flow;
- the impact of public health crises such as COVID-19 have had and could continue to have severe effects on global and national economies and even lead to a prolonged recession and an increased global debt level, adversely affecting demand for clean energy solutions for critical on-shore energy infrastructure;
- certain global and national initiatives and governments have called for austerity measures in light of COVID-19 and such austerity measures could have an adverse impact on spending on our clean energy solutions for critical on-shore energy infrastructure; and
- the fallout from COVID-19 may lead to a tougher business environment and has prompted corporations to draw-down liquidity from banks and issue financing requests, resulting in substantial strains on banks' balance sheets and regulatory indicators and metrics. In addition, capital markets financing and other funding sources have become highly volatile and expensive. Such effects could increase financing costs and re-financing risks for us, our customers and suppliers and may result in customers deferring or canceling planned investments, leading to less demand for our offering, or could also lead to requests for the renegotiation of contracts or for deferrals of payments by our customers. Our customers or suppliers may also face financial difficulties or even insolvencies and banks themselves may face liquidity and refinancing challenges that could result in limited access to or increasing costs to obtain financing products and other financial services.

Global or local spreads of infectious diseases and measures aimed at limiting their impact could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects and such effects would be greater if various risks, including potential quarantines, suspensions of business operations, travel restrictions and their general effects on the business environments took effect simultaneously.

As of the date of this Prospectus, there is significant uncertainty relating to the severity of the near- and long-term adverse impact of COVID-19 on the global economy and the global financial markets, and we are unable to accurately predict the near-term or long-term impact of COVID-19 on our business, especially its effect on our revenue and margins.

1.2.19 Any deterioration of our aftermarket services business, which contributes materially to our revenue, could adversely affect our business and profitability.

For the year ended December 31, 2020, we generated 16.9% of our revenue from our aftermarket services business. Typically, during our bidding process with a particular customer, we offer those customers a wide range of customer support services and solutions, including the operation of pipelines, plant maintenance, gas detection services, parameter adjustments, remote monitoring and control, maintenance and repair work and cathodic

corrosion protection, as well as technical assistance, logistic support, parts supply, simulation solutions, technology trainings and a number of special services. If we are awarded the contract for a certain project and aftermarket services, we are able to develop a close relationship with our clients and generate significant revenue from these aftermarket services. As a result, this allows us to position ourselves for repeat or new business with these existing clients. In addition, we provide aftermarket services to customers for which we did not provide the original energy infrastructure.

We intend to expand our aftermarket services with our existing clients and compete for contracts for aftermarket services with new clients on a stand-alone basis. The targeted expansion of our aftermarket services business is subject to a number of specific risks and challenges. There can be no assurance that the business will generate the revenue and profitability we aim to achieve, or that it will not decline in importance over time. Specific risks we face with respect to our aftermarket services business typically include tighter customer budgets for aftermarket services than for product procurement and competing in-house service providers, lower demand for services as a result of product quality improvements, difficult predictions regarding the costs of long-term services (for instance, for keeping supply parts in stock) and changes in customers' decision-makers for aftermarket services that are typically different from our contacts for product sales. Furthermore, our ability to provide aftermarket services may be impaired by travel restrictions. For example, due to containment measures in connection with COVID-19, our employees were not permitted to enter customers' sites in several instances.

1.2.20 Our customers may negotiate or renegotiate terms and conditions in their contracts that are disadvantageous for us, leading to lower revenue and lower margins.

As of December 31, 2020, we had ongoing business relationships with more than 250 customers. Many of our customers are large companies with considerable bargaining power such as ABB, Gascade and Evonik. These or other customers may from time to time be able to negotiate terms and conditions in their contracts that are disadvantageous for us, which could lead to lower revenue and margins or they may request renegotiations or may terminate their contracts on existing contracts. Wherever our customers' ability to generate profits with the products and services we provide is adversely affected, we have in the past encountered, and may in the future encounter, pressure to renegotiate existing or future contracts. This is particularly relevant for long-term turnkey projects where our customers may consider enforcing contractual scope reductions and/or changes in the operating profiles and commercial terms, or, alternatively, abandon or shut-down existing plants and terminate the long-term turnkey projects entirely. Our customers may also choose not to renew long-term programs (e.g., with respect to aftermarket services) or seek early termination, for example, to allow a competitor to service our equipment at a lower price. For example, lower and more fluctuating demand for centrally produced energy negatively impacts some of our long-standing customers. Further circumstances which may prompt renegotiations include higher prices for carbon-dioxide certificates, increasing shares of renewables, as well as continuously low spot market prices for electricity. Renegotiations by our customers could therefore significantly reduce the revenue and profit we are able to realize.

1.2.21 Our order backlog is not necessarily indicative of actual or future revenue due to possible delays of projects or changes in scope, and may result in overcapacity or reduced output and adversely affect our revenue and margins.

We have significantly expanded our order intake for the periods under review and as of December 31, 2020, we had an order backlog of EUR 307 million and additional projects for which we are bidding with a potential contractual volume of over 745 million. While our order backlog represents business that is considered likely, such orders may be, and from time to time are, subject to delays in execution. Any delay in the execution of our contracts could result in temporary overcapacity and a reduced output and adversely affect our revenue and margins.

In addition, there is the possibility of changes in the scope of the project because of the exercise of customer discretion, technology issues or problems encountered in the timely execution of the project for reasons outside our and our customers' control. These events could result in our customers disputing the amounts they owe us. Any recourse against the customer may not compensate us fully for the loss of potential revenue. Accordingly, our order backlog is not necessarily indicative of actual or future revenue.

1.2.22 Our business relies on the availability of special heavy machinery, including side booms, horizontal directional drilling machines, cable trucks and other such equipment, which is crucial for the completion of certain large-scale projects. The unavailability of such equipment on a timely basis could increase project completion costs and lead to penalties.

Our business relies on the availability of special heavy machinery, including side booms, horizontal directional drilling machines, cable trucks and other heavy equipment to complete certain large-scale projects. If we do not have the requisite heavy machinery for a particular project and are not able to obtain such heavy machinery in the market in a timely fashion, we may have to delay certain large-scale projects, which would lead to increased costs or contractual penalties. For example, if we unexpectedly encounter difficult ground conditions during a project, it may be necessary to use larger machinery than we originally dispatched to the project. If there are only a few units of this specific machinery available, if all of these units are currently in use at other projects, or are currently located significant distances from our project, this could lead to significant delays in us being able to relocate such units to our construction site and to complete the project, increased project completion costs and penalties.

1.2.23 We may not succeed in developing, maintaining and strengthening our reputation and the "Friedrich Vorwerk" brand, which may materially and adversely affect our customers' acceptance of and demand for our critical on-shore energy infrastructure solutions.

Our business and prospects depend on our ability to develop, maintain and strengthen our reputation and the "Friedrich Vorwerk" brand as well as the Bohlen & Doyen brand. Any failure to do so may materially and adversely affect our ability to sell our critical on-shore energy infrastructure solutions. If we do not continue to establish, maintain and strengthen our brands, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brands will likely depend on our ability to provide high quality technical solutions.

Our reputation is essential in the presentation of our service offers and in order to create customer loyalty and win new customers. In addition, we operate in energy infrastructure and renewable energy, which are areas of activity that are subject to strong media exposure.

We believe that our success in recent years is largely due to our reputation for reliability and market leadership across a wide range of services, in particular for services requiring a high level of expertise. This reputation has enabled the Vorwerk Group to consolidate its position and has strongly contributed to its growth. Although we tightly control the quality of our services, we cannot guarantee that we will not encounter difficulties relating to the quality or reliability of our services, or more generally to our ability to provide the level of service announced to our customers, in certain industrial sectors and/or geographic markets. The occurrence of such events, in particular in the event of significant media coverage, could strongly affect our reputation, in particular with our customers.

Similarly, any violations of data protection law, in particular the use, storage or disclosure of data to third parties without the consent of the data subjects or unauthorized access to data of third parties (including data theft), breach of non-disclosure agreements or loss of information due to cyber-attacks could harm our reputation and could also constitute regulatory offences or criminal offences and give rise to claims for compensatory damages as well as fines against us.

1.2.24 We may not be able to manage future growth in our business or industry effectively, which may lead to a reduction of our margins.

From January 1, 2019 to December 31, 2020, our revenue increased from EUR 277,013 thousand on a Like-for-Like¹ basis to EUR 291,791 thousand, a 5.3% increase over this period despite COVID-19. As a result of this

¹ In order to improve the comparability of our audited consolidated financial statements for the fiscal year 2019 to the audited consolidated financial statements for the fiscal year 2020, we prepared like-for-like financial information for all income statement line items in the notes to our audited consolidated financial statements for the fiscal year 2020 ("**Like-for-Like Financial Information**" or "**Like-for-Like**"). Such Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen Bau GmbH, Wiesmoor and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor had been part of our Group for the full fiscal year 2019.

significant growth in our business and anticipated future growth in our business and industry, we need in the near term to increase our critical on-shore energy infrastructure manufacturing capabilities, hire and train highly skilled employees at all levels, and improve our internal financial, reporting, risk management and compliance and administrative capabilities. In particular, our planned strategic shift from natural gas and critical on-shore electricity infrastructure projects to clean hydrogen infrastructure projects could entail higher costs. We may also need to implement new administrative infrastructures, systems and processes, upgrade business planning and prepare to address the administrative, financial and regulatory challenges of entering new markets. Even if we are able to manage these tasks, we face the risk of balancing too many projects at one time and continually shifting resources between the projects, which may result in significant inefficiencies and may cause us to miss deadlines and deliver poor quality.

The significance of large individual orders during our growth phase could also increase, which could lead to a higher than usual dependence on such large individual orders rather than on a number of smaller orders. Any such dependency on large individual orders could expose our business to significant fluctuations in the event that we are unable to process such large orders in the course of our business.

In addition, if the growth in our industry is similar to the growth in our business, foreign providers of our equipment and technology may seek more aggressively to enter the German market and/or enter into joint ventures with our competitors to access the German market. It is also possible that the German government could decrease entry conditions for foreign energy providers to assuage increases in demand and to ensure that political considerations for expanding the German energy market in line with German and EU policies are met.

Any failure to effectively manage the growth of our business and our industry as a result of the above circumstances may lead to a reduction of our margins, which, in turn, may materially adversely affect our business, results of operations, cash flows and financial position and prospects.

1.2.25 Operational disruptions or lengthy periods of production downtime could negatively affect the timely delivery to and set-up of our critical on-shore energy infrastructure solutions for our customers. Any such delay could result in reductions in revenue, substitute performance by another provider, committed costs, which we cannot recover or expose us to significant liability from our customers.

Our success depends in part on our ability to deliver and set up our critical on-shore energy infrastructure solutions for our customers on time. Operational disruptions or lengthy periods of production downtime affecting the delivery of our critical on-shore energy infrastructure solutions as a result of unanticipated failures, vandalism and theft, damages and losses (caused by fire, accidents, natural disasters, floods, war, terrorism, supply shortage, severe weather or other disruptions of our production process at our facilities or within our supply chain, with respect to customers and with suppliers), the unavailability of service components at individual sites or otherwise could make it impossible for us to deliver and set up our critical on-shore energy infrastructure solutions on time.

Such events could also injure or kill individuals or damage or destroy third party property or the environment, which could, among other things, lead to considerable financial costs for us or severely damage our reputation.

The occurrence of any of the above factors could result in reductions in revenue, substitute performance by another provider, committed costs, which we cannot recover or expose us to significant liability from our customers.

1.2.26 Our overall strategy to expand into European markets may fail or not produce the desired results.

In 2020, we served more than 250 customers in over 15 countries. We currently generate revenue in neighboring countries of Germany such as Denmark, France and Switzerland. We seek to continue our European expansion, particularly in the BeNeLux countries (*i.e.*, Belgium, Netherlands and the Grand Duchy of Luxembourg) and later in Spain by expanding existing operations, opening new manufacturing facilities, developing local research and development capabilities and by entering into strategic partnerships with local partners and to continue to offer containerized solutions globally. Many of these European markets are subject to the same macro-economic uncertainties as the German market, especially those uncertainties triggered by COVID-19, as well as potential shortages of highly skilled workers, changes in governmental regulations and other business risks associated with

the energy infrastructure industry in Germany. If we are not able to accurately gauge these risks before we enter into these markets, we may not grow our business as expected or may encounter unforeseen difficulties.

In addition, we ship a number of so-called containerized solutions (equipment which has been manufactured and assembled in Germany or Poland on which the final acceptance test has been carried out in one of our German production plants, which is then shipped or flown to the country of installation where it is installed by the customer under the supervision of our engineers or project managers, or in some cases, installed directly on site by our installation teams depending on the type of product being distributed as a containerized solution) to a number of customers in foreign markets where we have no operations or manufacturing facilities, historically, for example, Ghana, Iraq, the Galapagos Islands, Hong Kong, Mexico and Dubai.

As a result of sending these containerized solutions into these foreign markets, we are exposed to a number of potential social, political, legal and economic issues in these markets. We could be affected by any of the following issues:

- unauthorized use of containerized solutions for unlawful purposes;
- currency exchange controls;
- exchange rate fluctuations and devaluations;
- changes in local economic conditions;
- restrictions on the transfer or repatriation of funds;
- changes in laws or regulations and unpredictable government actions;
- potential nationalization of private enterprises and confiscation of privately-held equipment by governmental authorities;
- the difficulty in enforcing agreements and collecting receivables through foreign legal systems; and
- political, economic and social unrest and acts of sabotage or terrorism which destroys our equipment.

Should we encounter any of these issues in sending our containerized solutions into these foreign countries, it could have an adverse effect on our business.

1.2.27 To the extent that we receive government grants and subsidies for certain of our technological developments, projects or investments in the future, any failure to comply with the conditions of these government grants or subsidies could expose us to severe monetary penalties, administrative fines, repayment obligations, as well as damage our reputation and adversely affect our business.

We may apply for government grants and subsidies in the future to take advantage of the significant level of government sponsored programs in Germany and the EU to support the development of clean hydrogen technology. In the event that we are not granted such subsidies or incentives or if these grants or subsidies are linked to certain conditions which are adverse to our business, such as maintaining a minimum level of employment within a certain locality, we may be exposed to severe monetary penalties, administrative fines, repayment obligations, as well as damage our reputation if we violate these conditions or we may decide that the conditions are so onerous that we do not apply for such government grants or subsidiaries. If we are not able to use these government grants for these or any other reasons, it could adversely affect our competitiveness in the energy infrastructure solutions industry.

1.2.28 Our current risk management system and our lack of an integrated compliance system may not enable us to prevent and/or identify violations of law and to identify and evaluate all of the relevant risks to us and enable us to take appropriate countermeasures, which could lead to the imposition of fines/penalties, the withdrawal of licenses, as well as damage to our reputation.

We currently have an integrated risk management system to recognize and evaluate legal risks in the markets in which we operate and enable us to take appropriate countermeasures as necessary. We are currently working on the implementation of an integrated compliance system at the Vorwerk Group level and have already implemented a system to comply with all relevant capital markets rules and regulations including the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive No. 2003/6/EC of the European Parliament and of the Council and Commission Directives No. 2003/124/EC, No. 2003/125/EC and No. 2004/72/EC ("**Market Abuse Regulation**").

We are adapting our internal organization, *i.e.*, management, financial accounting, cost accounting, planning, controlling, risk management, investor relations, as well as human resource management and employee training, to the increasing complexity and the growth of the Vorwerk Group. Should we fail to develop and adapt our internal organization and information structures in accordance with our complexity and growth, this could impair our ability to recognize and control risks, trends and negative developments.

As we currently operate in Germany, Poland, generate revenue in France, Denmark and Switzerland and plan to expand in the BeNeLux countries and in Spain at a later time, we are and will be confronted with an array of legal requirements in those jurisdictions, including but not limited to competition and cartel law, foreign trade and customs law, public procurement, licensing and permitting law, patent, intellectual property and copyright law, product warranty and product liability law, environmental, construction and planning law, hazardous materials and chemicals law, anti-bribery and corruption legislation, sanctions regimes, employment and workplace health and safety law, tax law and provisions in connection with our manufacturing, sales, distribution and services activities. There is a risk that we could violate laws or that other risks will fail to be identified or will be incorrectly assessed and/or that no appropriate countermeasures will be taken or that the compliance and risk management systems will not be suited to our size, complexity and geographical diversity, or that those systems will fail for some other reason. There is also a risk that we fail to detect corruption, employee fraud or other criminal or unauthorized behavior.

The occurrence of any one or more of the foregoing risks could damage our reputation, expose us to fines or sanctions against us and/or our subsidiaries and/or our board members or employees, require us to pay compensatory damages by third parties based on claims made against us or further adverse legal consequences.

1.2.29 Any unforeseen strikes or labor disputes or significant increases in labor costs, including the need to hire a significant number of subcontractors, could have a material adverse effect on our margins.

Staff costs are a significant cost factor for us. As of December 31, 2020, we had 1,304 employees of which 1,284 were located in Germany. A significant part of our staff in Germany are covered by collective bargaining agreements, and it is possible that additional employees will become part of such collective bargaining agreements at any time. As of the same date, within the Vorwerk Group, there is one employee worker's council (*Betriebsrat*) in place. Although we believe that we have good relationships with our workforce, works councils and unions, there is no assurance that when existing collective bargaining agreements expire, new agreements will be concluded on terms that are satisfactory to us. We also cannot exclude that agreements will only be reached following strikes or similar actions. If production is affected over a longer period of time by labor disputes, this could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects. The relationship with our employees may also be negatively affected by the disruptive trends in the critical on-shore energy infrastructure industry that require changes in our strategy and may require us to adjust our portfolio and manufacturing footprint and thus to reduce our workforce. Labor costs may continue to increase as a result of wage increases negotiated by powerful unions, the need to retain key management and technical engineering personnel or the need to hire a significant number of subcontractors as a result of an unexpected need for skilled workers. Indirect labor costs could increase, for example, due to continued inflation of medical costs.

1.2.30 Our existing insurance coverage could prove inadequate to cover all the risk we might face, which may force us to cover such costs on our own.

Damage and loss caused by fire, natural hazards, war, terrorism, supply shortage, non-compliance with law, or other disturbance at our manufacturing facilities, our customers' plant sites or within our supply chain - with customers and with suppliers - can be severe. The risks arising from business and planning liability (*Betriebshaftpflichtversicherung*) are insured up to levels considered economically reasonable and are in line with market standards as seen by us, but our insurance coverage could prove insufficient in individual cases. The materialization of any of these risks could lead to severe physical injury of individuals or to extensive damage to third-party property or the environment, which could, among other things, lead to considerable financial costs for us. The realization of any of these risks could have a material adverse effect on our business if we have to pay for such incidents on our own.

1.2.31 Failures, breakdowns, unplanned outages and/or leakages or breakdowns in our energy infrastructure equipment, as well as natural disasters, sabotage or terrorism or public opposition, may cause delays or interruptions in our operations, increase capital expenditures, harm our business and reputation, expose us to significant liability or cause significant harm to the environment.

Our critical on-shore energy infrastructure business, including but not limited to pipelines, electricity grids, compressor stations, storage and measurement instruments, gas pressure regulating and metering stations, power to heat transformation systems, underground cable, transformer stations, electrolysis systems and storage facilities could be subject to failure, leakages of hazardous materials and pollutants, explosions, breakdowns, unplanned outages, capacity limitations, system losses, breaches of security or physical damage due to natural disasters (such as adverse weather conditions, storms, floods, fires, explosions, landslides, ruptures or earthquakes), human error, computer viruses, hacker attacks, faulty or outdated equipment, fuel interruptions, criminal acts (such as terrorism or sabotage), legally permitted protests (such as demonstrations), unscheduled technological breakdowns at customers' facilities, facilities operated by other third parties and other catastrophic events. Any physical damage to our equipment or our facilities or our customers' equipment or customer facilities may be costly to repair and any outages may cause us to lose revenue due to our inability to provide energy to our customers or to provide our transmission or transportation services in accordance with the contracts with our customers. In addition, if we do properly implement or label safety measures at our or our customers' sites, we may be exposed to potential liability depending on the nature of any accident which occurs at such sites.

The hazards described above can cause significant personal injury or loss of life, severe damage to, and destruction of, property, plant and equipment, contamination of, or damage to, the environment and suspension of operations, including the complete shutdown of a plant site or specific operation. The occurrence of any one of these events may result in increased insurance costs for us as well as being named as defendants in lawsuits asserting claims for breach of contract or substantial damages, environmental clean-up costs, personal injury and fines or penalties or we may not have sufficient insurance coverage to offset such costs, damages, fines or penalties.

1.2.32 We rely on various forms of transportation and logistical arrangements to deliver our critical on-shore energy infrastructure equipment, the failure or delay of which could adversely affect our business.

We depend on various forms of transportation, such as air, sea-borne freight, rail and road, to receive components and materials used in the production of critical on-shore energy infrastructure equipment and to deliver our equipment to customers. Such transportation and logistics may not be adequate to support our future operations. Further, we are vulnerable (in relation to both ourselves and our suppliers) to disruptions of transportation and logistical operations because of weather-related problems, quarantine restrictions, strikes, lock-outs, inadequacies in road and rail infrastructure and port facilities, or other events. We have limited storage facilities and may not be able to store sufficient components and materials, making us more dependent on efficient logistical operations. In addition, we or our subcontractors may have difficulty in transporting required heavy machinery to construction sites on a timely basis or at all depending on where the large-scale equipment is located at the time it is needed. We also face risks during the transportation of our products and to the property of third parties, if, for example, a large piece of our equipment comes loose while being transported and strikes a person, object or building. These

factors could adversely affect our ability to supply products to our customers, expose us to potential liability, and could have a material adverse effect on our business, financial condition and results of operations.

1.2.33 Our approach of recognizing revenue of construction contracts over a period may impair the comparability of our revenue, margins and net income across periods.

Generally, we account for construction contracts in accordance with IFRS 15 "*Revenue from Contracts with Customers*" by recognizing the revenue over a period using the output-oriented method. Under this method, the contract revenue associated with this construction contract is recognized by reference to the degree of completion of the contract activity at the balance sheet date. The degree of completion is based on monthly construction project progress reports. The contract asset represents the group's right to consideration from construction contracts with customers. If the value of a contract asset of a construction contract exceeds the payments received for it, then this is shown on the assets side under contract assets. If the revenue of a construction contract is recognized over a period of time, the amounts invoiced do not always correlate directly to the revenue recognized. Based upon the terms of the specific contract, billings may be in excess of the revenue recognized, in which case the amounts are reported as a contract liability in the statement of financial position. Changes to contracts, additional amounts invoiced and incentive payments are recognized to the extent that a binding agreement has been concluded with the customer. Contract costs are recognized in the period in which they are incurred. If it is likely that the contract costs will exceed the recoverable amount, a provision for onerous contracts is recognized in accordance with IAS 37. This is analyzed on a case-by-case basis to recognize the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognized up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognized under short-term provisions. Nevertheless, the actual revenue generated under the contracts and the associated actual sales revenue and profits may differ from previous estimates and expectations and the IFRS methods on which they are based.

In addition, we cannot exclude that our estimate of the degree of completion of a specific project is incorrect, which could adversely affect the meaningfulness of our financial reporting, particularly the income statement. The result of recognizing revenue over a period is that the comparison of net income across periods may not provide for an accurate reflection of the development of our business.

1.2.34 Our solutions typically include complex IT control systems which may be vulnerable to damage or interruptions from cyber attacks and third party intervention or manipulation, which could adversely affect our margins and lead to a severe loss of reputation and customer confidence and business certifications.

Our critical infrastructure solutions are typically deliver including complex IT control systems and networks which provide for the operations of integral infrastructure systems and may be operated by our aftermarket services teams. These systems and networks are potentially vulnerable to damage or interruption from a variety of sources or to security threats, in particular cyber attacks and third party intervention or manipulation. Although we have taken precautions to manage our risks related to system and network disruptions, an extended outage in a digital control system, data center, engineering and automation system or telecommunications network utilized by our solutions, any security breaches or any similar event could lead to an extended unanticipated interruption of the operation of the infrastructure solutions thereby leading to a temporary breakdown of critical infrastructure relying on the continuous operation of our solutions. Payments of fines or extortion money could lead to a decrease in our margins and ultimately a severe loss of reputation and customer confidence and business certifications.

1.2.35 We could be adversely affected by our customers defaulting on payments.

The financial condition of these customers can also affect our own financial condition. If any of our customers were to experience catastrophic events such as major environmental damage and the inability to service their customers, they could be exposed to significant damage payments to their own customers and/or the general public at large and not be able to afford such payments. Any inability of our customers to make such payments could have a material adverse effect on our business to the extent they could default on any payments to us.

If the creditworthiness of our customers or other customers were to decline, we would face an increased default risk with respect to our trade receivables. There can be no assurance that any financial arrangements provided to these customers, or even a successful reorganization of such companies through bankruptcy, will guarantee their continued viability. In addition, we do not carry insurance on all of our receivables. If certain of our customers were unable to make payments for products that we have already delivered, we may not be able to recover those receivables. In addition, if any of our customers become insolvent, the original investments made by us to provide products to this customer could be wholly or partially lost.

Payment defaults by customers could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects.

1.2.36 If any of our provisions prove to be inadequate, we could be required to revise these which could, in turn, ultimately result in a potentially significant negative impact on our income statement.

We report provisions as a group when we have 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. As of December 31, 2018, 2019 and 2020, we reported EUR 4,725 thousand, EUR 24,833 thousand and EUR 24,523 thousand, respectively, of provisions. The expense from recognizing the provision is reported in the income statement less the refund. Provisions are reviewed at the end of each reporting period and adjusted to the current best estimate. The amount of the provision corresponds to the present value of the expenses expected to be required to fulfil the obligation where the time effect of money is material. The increase in the provision over time is recognized as interest expense. Provisions with the nature of a liability are recognized for obligations for which an exchange of services has taken place and the amount of the consideration is established with sufficient certainty. Most of the provisions with the nature of a liability relate to provisions for outstanding invoices, which in turn mainly relate to subcontractor services. These provisions are recorded on a project-related basis based on monthly construction project progress reports. We cannot exclude that the settlement amount of a specific provision is incorrect, which could lead to inaccuracies in our financial reporting, especially in our income statement.

1.2.37 Data protection breaches and violations could harm our reputation, could constitute regulatory offences or criminal offences and could give rise to claims for compensatory damages as well as fines against us.

We process and use data of our employees, suppliers and customers as well as product and process data. In doing so, we must take account of the requirements of data protection and operating rules and regulations, including Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the General Data Protection Regulation, the "GDPR"). Violations of data protection law, including the GDPR, in particular the use, storage or disclosure of data to third parties without the consent of the data subjects or unauthorized access to data of third parties (including data theft), breach of non-disclosure agreements or loss of information due to cyber attacks could harm our reputation, could constitute regulatory offences or criminal offences and could give rise to claims for compensatory damages as well as fines against us and thus have a correspondingly adverse effect on our business, results of operations, cash flows, financial position and prospects.

1.2.38 Any goodwill resulting from business combinations may be incorrectly valued which may subsequently lead to a corresponding loss of income in our income statement.

Negative goodwill or "badwill" is reflected on our income statement when we acquire a business for less than the fair market value and has the effect of increasing our EBITDA in our income statement, shown under income from initial consolidation. Badwill generally indicates that the selling party is distressed or may even have to declare bankruptcy, there has been an error in the valuation of identifiable assets, non-controlling interest and/or equity interest or that there is an recognition or measurement exception for particular items under IFRS 3. Our recognition of badwill is based on the correct accounting valuation of the business which we acquired. We generated significant badwill in the periods under review: in connection with our purchase of Bohlen & Doyen in 2019, we recorded badwill of EUR 5,143 thousand for the fiscal year ended December 31, 2019. If we incorrectly

overvalue the business in any such acquisition to a material extent, we may be required to correct our income statement to reflect the corresponding material loss of income.

1.3. Risks related to Legal, Regulatory, Intellectual Property and Tax

1.3.1 We are subject to a number of regulatory requirements and risks, including but not limited to those related to environmental, health and safety, and employment law matters as well as other regulatory requirements and risks, as a result of which we may incur significant costs, liabilities and obligations.

We operate in a highly regulated business and are exposed to a number of regulatory requirements and risks, including but not limited to those related to environmental, health and safety and employment law matters. For example, certain of our, or our suppliers', production processes require, and certain of our products contain, chemicals or other substances which are subject to various laws and regulations, and we have to adhere to stringent occupational health and safety laws and regulations and regulations governing the use and handling of air and water emissions and the management and disposal of certain materials, substances and waste not only in our production facilities but also, among others, on project sites and at customer locations.

Current and future EHS regulations and other governmental regulations, including employment law matters, or changes thereto, may require us to change the way we run our operations and could result in significant increases in our operating or production costs. Furthermore, due to the high risk profile of some of our work, we are exposed to the risk of potential EHS incidents as well as potential non-compliance with EHS regulations affecting us and our subcontractors or suppliers, resulting for example in serious injuries, penalties, loss of reputation and internal or external investigations as well as project delays.

In addition, while we have procedures in place to ensure compliance with applicable governmental regulations in the conduct of our business operations, violations of applicable governmental regulations either by us or by third parties that we contract with, including business partners, suppliers or service providers whose activities may be attributed to us, may not be fully excluded. Any such violations particularly expose us to the risk of liability, penalties, fines, reputational damage or loss of licenses or permits that are important to our business operations. We could also face liability for damage or remediation for environmental contamination at the facilities we own, lease, design or operate. With regard to certain environmental risks, we maintain liability insurance. We may incur environmental losses beyond the insurance limits, or outside the coverage, of such insurance, and such losses may have a material adverse effect on our business, results of operations, cash flows, financial position and prospects. Risks in relation to EHS may be exacerbated in cases where we are, either due to a lack of adequate and experienced contractors or reliance on subcontractors, preferences by our business partners or customers for specific contractors, forced to work with subcontractors with no or inadequate EHS experience on plant sites. In such cases, we may not be able to uphold our own EHS standard approach and practices. Furthermore, we may have to allocate additional resources or incur additional costs to align our EHS standard approach and practices with that of our contractors.

Furthermore, due to our expansion strategy, we may have a number of employees working in different jurisdictions with different, sometimes conflicting, EHS standards, which makes compliance with these standards more complex. Furthermore, it cannot be excluded that in individual cases, certain employees may have insufficient knowledge about binding international and local requirements in this field. We may also be inadequately prepared to respond to unexpected regulatory enforcement actions. Increasingly, compliance and enforcement of EHS standard is becoming part of financing terms for large turnkey projects, and we may fail to accurately interpret and apply these standards, which may jeopardize the financing of our large turnkey projects.

1.3.2 We could be held liable for soil, water or groundwater contamination or for risks related to hazardous materials.

Many of the sites at which we operate our critical on-shore energy infrastructure solutions have been used for industrial purposes for many years, leading to risks of contamination and potentially involving remediation obligations, regardless of whether we are the legal owner or are merely using the respective property, and irrespective of whether we caused the contamination or acted with fault. Moreover, we could be held responsible

for the remediation of areas adjacent to our sites if these areas were contaminated due to our activities, or if we were to be found the polluter of these areas.

The responsible authorities could assert claims against us as the polluting party, owner or occupant of the affected plot for the examination or remediation of such oil and/or groundwater contamination or could order us to dispose of or treat contaminated soil excavated in the course of construction. This could impede our operation at the affected site. We could also be required to indemnify the owner of plots currently or formerly leased by us or of other properties if the authorities were to pursue claims against the relevant owner of the property and if we had caused the contamination. Costs typically incurred in connection with such claims are generally difficult to predict but may be substantial. During the periods under review, we have not been exposed to any damages for soil, water or groundwater contamination over EUR 10,000. In the periods under review, we had minor incidents such as oil leakages from machinery which had to be removed by fire department but cannot assure that we will not be exposed to more significant incidents in the future. Moreover, if any contamination were to become a subject of public discussion, there is a risk that our general reputation or our relationship with our customers could be harmed. Even if we have contractually excluded or limited our liability vis-à-vis a customer, we could be held responsible for currently unknown contamination on properties that we previously owned or used. The realization of any of these risks could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects.

1.3.3 Allegations of a breach of antitrust laws to which we are subject or actual violations could result in penalty payments and reputational damages.

We are subject to German and EU antitrust laws and to the antitrust laws in the jurisdictions in which we operate, in particular we are party to a number of project joint ventures (*Arbeitsgemeinschaften*, "ARGE") under German law. Any accusations by regulatory authorities, business partners, competitors or customers that we engaged with our business partners in any non-permissible activities, including, but not limited to, price fixing, price gauging or price collusion or if any of our business partners are accused of any such activities, this could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects. As projects are frequently tendered for in the form of an ARGE, we might be particularly prone to such allegations.

If we fail to manage these risks adequately, or if one of these risks materializes, this could result in penalty payments and reputational damages.

1.3.4 We could be unsuccessful in adequately protecting our intellectual property, technological know-how and trademarks and there is a risk that we might infringe the intellectual property rights of others.

Our products are highly dependent upon our technological know-how. To a certain extent the scope and limitations of our proprietary rights in this know-how are important to us. We have obtained or applied for a limited number of intellectual property rights, such as patents. The process of seeking patent and trademark protection can be lengthy and expensive and there is no guarantee that such patent or trademark protection will ultimately be granted, or that if such protection is granted, it will ultimately be enforceable. If a patent or trademark does not provide meaningful protection, either because it is invalid or ineffective, there is the risk that competitors may copy our know-how without incurring any expenses of their own

Our intellectual property rights may also be vulnerable to misappropriation by employees, contractors and other persons. From time to time, we may be required to compensate inventors and other originators where we wish to commercialize certain intellectual property.

Since our competitors, suppliers and customers also submit a large number of inventions for intellectual property protection, it cannot be excluded that there are effective and enforceable third-party intellectual property rights pertaining to certain processes, methods or applications. Thus, there is a potential risk that we could infringe the intellectual property rights of third parties. Accordingly, third parties could assert infringements of intellectual property rights, including illegitimate ones, against us. As a result, we could be required to cease manufacturing, using or marketing certain technologies or products in certain countries or be forced to incur licensing costs or make changes to manufacturing processes and/or products, or litigate the scope or validity of patents in order to

be permitted to sell our products. In addition, we could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties.

Furthermore, we rely on trademarks to a limited extent in order to protect our brands. There can be no guarantee that we will be able to protect our trademarks in the future. If our trademarks cannot be adequately protected, this could hinder or completely eradicate our technological advantages and market reputation and thus significantly impair our competitiveness.

1.3.5 We have to comply with anti-bribery, anti-corruption and anti-money laundering laws and foreign sanctions laws. Failure to comply with such laws could result in severe criminal or civil sanctions.

We are subject to anti-bribery, anti-corruption and anti-money laundering laws and regulations in the countries in which we operate, which prohibit companies and their intermediaries from making or receiving improper payments, illegally transmitting large amounts of money through the financial system by a criminal activity, and for the violation of which severe sanctions, including criminal sanctions, can be imposed. Furthermore, we are subject to a number of complicated sanctions laws, including sanctions laws under the Office of Foreign Assets Controls in the U.S. Treasury Department and similar EU provisions and laws of other countries as well as United Nations sanctions which require us to refrain from doing business, or allowing our clients to do business through us, in certain countries or with certain organizations or individuals on prohibited lists maintained by the United States, the EU or other countries. The interpretation of these laws is often broad such that we can also inadvertently violate such laws through our business with strategic or joint venture partners or other business partners. Failure to adopt and enforce appropriate internal policies to ensure compliance with these laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, results of operations, cash flows, financial position and prospects.

1.3.6 We may be subject to export controls as we grow our business internationally, which can impede the growth of our business and damage our reputation.

We currently generate revenue in neighboring countries of Germany such as France, Denmark and Switzerland and seek to expand our operations in Europe further, in particular in the BeNeLux countries and later in Spain. We currently distribute our containerized solutions to a number of countries outside of Europe where we have no operations and do not intend to have any operations, including Ghana, Iraq, the Galapagos Islands, Hong Kong, Mexico and Dubai. As we grow our business, we may become subject to limitations, export licenses, specific export controls, embargoes (imposed by Germany as well as by other countries where the suppliers of component products or technologies are based) or trade restrictions. Some of our critical on-shore energy infrastructure equipment could – falsely or not – be qualified as dual-use products, *i.e.*, items that can be used for both military and civil purposes. Such products are - inter alia - subject to the Dual-Use-Regulation, which has been implemented in the German Act on Foreign Trade (*Außenwirtschaftsgesetz*) and the German Regulation on the Act on Foreign Trade (*Außenwirtschaftsverordnung*), the US Export Administration Regulations and the Export Commerce Control List and other similar provisions. Our exports could be delayed or outright refused in certain circumstances depending on the nation in question into which we are attempting to ship our critical on-shore energy infrastructure equipment. As a result, we may have to analyze and operate in opaque or unfamiliar legal systems, and such analysis can cost significant financial and management resources.

In addition, there can be no guarantees that (i) the export controls to which we are subject will not be tightened, (ii) new critical on-shore energy infrastructure equipment developed by us will not be subject to similar or tighter controls, and (iii) geopolitical factors will not make it possible for us or our suppliers to obtain export licenses for certain customers or make it more difficult for us to execute previously signed contracts (*e.g.*, because of new embargoes).

The materialization of any of these risks could materially adversely affect our business, results of operations, cash flows, financial position and prospects and damage our reputation.

1.3.7 We are exposed to tax risks, which could arise in particular as a result of tax audits or in connection with the forfeiture of tax loss carryforwards or the non-recognition of fiscal unities, tax groups and other tax consolidation schemes.

Due to the future international nature of our business, we will be subject to income and other taxes in multiple jurisdictions. Significant judgment and estimation is required in determining our provision for income, sales, value-add, withholding, and other taxes. In the ordinary course of our business, there are various transactions and calculations, including, for example, intercompany transactions, cross-jurisdictional transfer pricing and transactions with specific documentation requirements, for which the ultimate tax determination or the timing of the tax effect is uncertain. Pursuant to transfer pricing rules that apply in several jurisdictions and in relation to cross-border business relationships, for instance, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (arm's length principle) and to provide sufficient documentation thereof. We cannot guarantee that our interpretations of the relevant tax laws will be accepted by the competent tax authorities who might challenge our compliance with these requirements or that we may inadvertently violate the interpretation by regulatory authorities of certain tax requirements, which could lead to the payment of fines or penalties.

We are regularly audited and our tax calculations and interpretation of laws are reviewed by tax authorities. The tax authorities may challenge our assessment that our tax estimates are reasonable and all tax filings and other documentation are in compliance with applicable law, as well as the factual and legal basis on which our tax filings and other tax-related documentation has been prepared. In any such case, the final determination of any such tax audits or reviews could differ from the position we have taken in our tax filings and in the calculation of our tax provisions and accruals, and we might therefore incur additional tax liabilities resulting from such final determination, as well as interest, penalties, or regulatory, administrative, or other sanctions related thereto.

While we attempt to assess in advance the likelihood of any adverse judgments or outcomes to tax proceedings, assessments, or claims, it is difficult to predict final outcomes with any degree of certainty. The final determination of any tax investigation, tax audit, tax review, tax litigation and appeal of a tax authority's decision or similar proceedings, may differ from our expectations or estimates as reflected in our financial statements. There can also be no assurance that current audits and reviews will not be extended to other tax years or tax matters. In addition, changes in tax legislation or interpretation, as well as any emerging case law, could result in additional taxes and affect our effective tax rate, the carrying value of deferred tax assets, or our deferred tax liabilities.

In addition, certain Vorwerk Group entities have been in the past and are currently considered part of fiscal unities, tax groups and other tax consolidation schemes. It cannot be ruled out that these entities will be held liable for unpaid taxes of the members of such tax consolidation schemes (including members outside the Vorwerk Group) under statutory law or contract. Furthermore, should such tax consolidation schemes no longer be available, for example as a result of a reorganization or other corporate measures, or should such schemes not be accepted by the tax authorities or a tax court, additional taxes, interest, and penalties may be imposed against us.

1.4. Risks related to our Financial Position

1.4.1 Our results of operations are exposed to currency exchange rate fluctuations and fluctuations in our raw materials and energy prices, especially diesel fuel.

While our reporting currency is the Euro, a portion of our revenue may be denominated, and some of our consolidated subsidiaries may in the future report, in foreign currencies if we expand internationally as planned. Our results of operations would therefore be affected by exchange rate fluctuations. An increasing value of the Euro might also adversely impact the competitiveness of our products outside the Eurozone due to price effects on local markets to the extent we have expanded significantly into such markets.

In addition, we are exposed to the risk of fluctuations in the prices of our raw materials such as steel, copper and others as well as fluctuations in the energy prices such as electricity and diesel. In particular, we rely currently significantly on the use of diesel fuel for our special and heavy machinery. Because we cannot easily switch to renewable or synthetic fuels in the short term to use as a fuel substitute for our special and heavy machinery, any long-term price increases in diesel fuel, for example, triggered by CO₂ penalties could lead to significant additional

costs of operations. Any significant unforeseen and unhedged fluctuations in such prices can materially adversely affect our business.

1.4.2 The availability and conditions of bank guarantee credit facilities may limit our growth and ultimately lead to negative growth.

We depend on the availability of bank and insurance company guarantee facilities which are granted to our customers as surety for prepayments to us. In addition, they are used as contract performance bonds and guarantee bonds. As of December 31, 2020, the total bank guarantee facilities amounted to EUR 176 million (of which EUR 95.3 million were utilized) as compared to EUR 107.3 million (of which EUR 87.1 million were utilized as of December 31, 2019). If such bank guarantee facilities are not available to us or if the conditions under which such bank guarantee facilities are extended to us are not commercially acceptable, we may not be able to acquire the necessary volume of projects in order to sustain our growth. If a significant banking crisis were to occur accompanied by a credit crunch, the inability to access bank guarantees may lead to negative growth.

1.4.3 The Company is a holding company, whose liquidity depends on dividend payments or profit transfers made by its subsidiaries and its potential obligation to offset losses of its subsidiaries, which may prevent us from paying dividends and may ultimately lead to bankruptcy.

The Company is holding company without any substantial business operations of its own. In addition to the cash it raises from debt and equity funding, its liquidity comes from dividend payments and transfers of profits made by its operational subsidiaries. If these subsidiaries should fail to generate sufficient profits or transfer its profits to the Company, or if these subsidiaries should generate losses and if, on the basis of the existing profit transfer agreement, the Company bears an obligation to offset the losses of its subsidiaries with which it maintains profit transfer agreements, then this would have material adverse effects on its liquidity, its results of operation, and thus, on its ability to pay dividends. Any potential insolvency of a subsidiary could, furthermore, also trigger the insolvency of the Company.

The occurrence of any of these events may prevent us from paying dividends and may ultimately lead to bankruptcy.

1.4.4 If we cannot raise additional funds when we need them, we will be limited in carrying out required investments and funding our working capital which could impact further growth.

We may require additional capital to finance our investments and working capital, our ongoing operations, our research and development, our on-shore energy infrastructure solutions and the introduction of new equipment and technology. Such additional capital may be obtained through raising debt or equity.

We cannot be certain that additional funds will be available to us on favorable terms, or at all or that we are able to provide sureties when required, or at all. If we are unable to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions or to provide surety we may not be able to further grow our business and/or to provide customers with the required bank guarantees, which may materially adversely affect our business.

1.5 Risks related to the Shares, the Offering, the Listing and our Shareholder Structure

1.5.1 There is no existing market for the Shares and an active or liquid market might not develop for the Shares.

Prior to this initial public offering of 9,200,000 Shares (the "**Offer Shares**") in the Company (the "**Offering**"), there has been no public offering of or public trading in the Shares. There can be no assurance that an active, liquid trading market for the Shares will develop or be sustained following the listing of the Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Listing**"). The price of the Offer Shares will be determined and established by the Company, MBB SE and ALX Beteiligungsgesellschaft mbH (collectively, the "**Selling Shareholders**") after consultation with Joh. Berenberg, Gossler & Co. KG and Jefferies GmbH (together, the "**Joint Global Coordinators**") on the basis of a book-building

procedure. The price for the Offer Shares determined and established in this manner may not correspond to the price at which the Shares will be traded on the Frankfurt Stock Exchange after the Offering. Active trading in the Shares might not develop or continue after the Offering. If fewer than all Offer Shares are sold or the greenshoe option to purchase up to 1,200,000 additional Shares from the holdings of the Selling Shareholders (the "**Greenshoe Option**") is not exercised by the Joint Global Coordinators in full or at all, the free float and thus the liquidity of the Shares after the Listing will be lower, which may have an additional adverse effect on investors' ability to trade the Shares. Investors may not be in a position to sell their Shares quickly or at all or at the market price if there is no active trading in the Shares. If an active market for the shares does not develop after the Listing, the liquidity and market price of the Shares may be adversely affected.

Following the listing of the Company's shares, the trading volume and share price of the Company's shares may fluctuate significantly. The Company's share price will be affected primarily by the supply and demand for its shares and could fluctuate significantly in response to numerous factors, many of which are beyond the Company's control. These factors include, among other things, fluctuations in actual or projected results of operations (including due to the impact of a significant ramp-up or ramp-down of major projects), changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on the Company's shares, changes in trading volumes in the Company's shares, the activities of the Vorwerk Group's competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Vorwerk Group's industry (including due to changes in public opinion, for example as a result of adverse media coverage), negative research reports, changes in the statutory framework in which the Vorwerk Group operates, changes in macroeconomic conditions, including fluctuations in foreign currencies and general stock market plunges, such as several times in 2020 as a reaction to new developments in relation to COVID-19, and other factors. Stock prices of many companies have experienced price and volume fluctuations in a manner often unrelated to the operating performance of such companies, including as a result of short seller attacks. In particular, the adoption or further refinement of ESG investment principles by investors (for example, so-called green funds) might lead to a divestment of shares of certain companies.

If the Company's share price or the trading volume in its shares declines as a result of the realization of any or all of these events, investors could lose part or all of their investment in the Company's shares. This also applies in the event of an insolvency of the Company since the Company's shares are subordinated to all other securities and claims.

1.5.2 Even if all Offer Shares are placed in the Offering, our existing shareholders will be able to continue to exercise substantial influence over the Company and its business activities. The interests our existing shareholders could conflict with the interests of our other shareholders.

Upon completion of the Offering, MBB SE, will hold approximately 36% of the issued Shares (assuming the placement of 9,200,000 Offer Shares and exercise of the Greenshoe Option in full) and ALX Beteiligungsgesellschaft mbH will hold approximately 18%. The interests of the Selling Shareholders may be different from our interests or those of other shareholders. The remaining stake of the Selling Shareholders may have the effect of making certain transactions more difficult or impossible without the support of the Selling Shareholders, and may have the effect of delaying, postponing or preventing certain major corporate actions, including a change of control in the Company, and could thus prevent mergers, consolidations, acquisitions or other forms of combination that might be advantageous for investors.

In particular MBB SE and ALX Beteiligungsgesellschaft mbH, due to their remaining shareholdings after the completion of the Offering and the mutual attribution of these shareholdings pursuant to their agreement to uniformly exercise their shareholdings entered into on February 6, 2021 (the "**Voting Agreement**"), will be in a position to exert substantial influence at the Company's shareholders' meeting and, consequently, on matters decided by the Company's shareholders' meeting, including the appointment of the members of the Supervisory Board, the distribution of dividends, and any proposed capital increases. Their remaining stake in the Company will also, for the duration of the Voting Agreement, endow both of them with the ability to block certain corporate measures that require the approval of the Company's shareholders' meeting. The influence of MBB SE and ALX Beteiligungsgesellschaft mbH may even increase if they acquire more of our shares. Any further acquisition of our shares by MBB SE and ALX Beteiligungsgesellschaft mbH after completion of the Offering will not, for the duration of the Voting Agreement, trigger the obligation to submit a mandatory public tender offer pursuant to Section 35

of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) as MBB SE and ALX Beteiligungsgesellschaft mbH, directly or through attribution, will hold at least 30% of our shares immediately prior to and after completion of the Offering. Therefore, MBB SE and ALX Beteiligungsgesellschaft mbH can increase their respective stake in the Company and extend their controlling influence on the Company without our other shareholders being protected by the rules regarding mandatory public tender offers under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*). The realization of any of our existing shareholders' interests which are in conflict with those of the Company or the other shareholders may have a material adverse effect on the value of our shares and our business, financial condition and results of operations.

Moreover, as MBB SE and ALX Beteiligungsgesellschaft mbH hold more than 50% of the share capital as well as the voting rights in Friedrich Vorwerk pursuant to the Voting Agreement as of the date of the Prospectus, they form a "factual group" (*faktischer Konzern*). In the event that both entities continue to hold more than 50% of the share capital as well as the voting rights in the Company throughout the fiscal year 2021, the Company will be required to prepare a dependency report (*Abhängigkeitsbericht*) on its relations with MBB SE in the fiscal year 2021. In the event that MBB SE's shareholding and its voting rights in the Company fall below 50%, MBB will only continue to hold a controlling interest in the Company if it has the *de facto* majority of votes during the Company's shareholders meetings due to the limited presence of independent shareholders during such meetings (*beherrschender Einfluss durch faktische Hauptversammlungsmehrheit*).

1.5.3 Future sales of Shares or anticipated sales of a substantial number of Shares or similar transactions conducted by the Selling Shareholders or other groups of shareholders could adversely affect the Share price.

Assuming that all of the Offer Shares have been placed in the Offering (including the Greenshoe Shares), the Selling Shareholders, which currently hold all Shares in the Company, will continue to hold approximately 54% of the share capital of the Company. Future sales of Shares by the Selling Shareholders may have a material adverse effect on the price of the Shares. The Selling Shareholders have undertaken *vis-à-vis* the Joint Global Coordinators that until the expiration of six or twelve months, respectively, after the first day of trading of the Shares on the Frankfurt Stock Exchange, they will sell additional Shares or enter into similar transactions only with the approval of the Joint Global Coordinators. However, should the Selling Shareholders or the management members take such actions – with or without the Joint Global Coordinators' approval – or should the market come to the conclusion that such events might happen, this could have a material adverse effect on the price of the Shares. The same applies if other groups of large shareholders make sales or of similar transactions with respect to a substantial number of Shares in the market, or if the market believes that such sales or similar transactions might occur. Such sales or similar transactions could also make it more difficult for the Company to issue new shares in the future at a time and price that the Company deems appropriate.

1.5.4 Future capital-related measures, such as future offerings of equity-linked or equity securities by the Company or the exercise of possible future stock option programs, may adversely affect the market price of the Shares and could result in a substantial dilution of existing shareholdings in the Company.

The Company may require further capital in the future to finance its business operations and research and development. Therefore, the Company may seek to raise capital through offerings of equity-linked securities, additional equity securities or to implement possible future stock option programs. An issuance of additional equity securities or securities with a right to convert into equity, such as convertible bonds or warrant bonds, or the exercise of a stock option program could adversely affect the market price of the Shares and would dilute the economic and voting interests of existing shareholders if made without granting subscription rights to existing shareholders. Even if existing shareholders were granted subscription rights, investors in certain jurisdictions may not be able to acquire and/or exercise any subscription rights due to local laws. Because the timing and nature of any future offering would depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued Shares, as well as a potential exercise of stock options and the issuance to our employees in the context possible future stock option programs, could lead to a dilution of the economic and voting interests of existing shareholders. Furthermore, a proposal to the general shareholders' meeting to take any of the abovementioned measures, with dilutive effects on existing shareholders, or any other announcement of

such proposal, could adversely affect the market price of the Shares. Until the expiration of a period of six months after signing the Underwriting Agreement (as defined below) in relation to the Offering, the Company has undertaken not to directly or indirectly offer or sell its Shares, or announce such sale or take any other measures equivalent to a sale in economic terms. Nevertheless, it cannot be guaranteed that during these six months and beyond, the Company will not take such actions or propose such actions to the general shareholders' meeting or that the market will not come to the conclusion that this will occur. This could have material adverse effects on the price of the Shares.

1.5.5 The price at which the Shares will be traded and the trading volume of the Shares may be volatile, and investors could lose all or part of their investment.

Following the listing of the Shares, the price of the Shares will be affected primarily by supply and demand for such Shares and could fluctuate significantly due to changes and fluctuations in trading volumes in the Shares, a changing number of Shares in the free float and other factors such as fluctuations in our actual or projected operating results or those of our competitors, changes or failure to meet earnings projections and expectations of investors and analysts, changes in market valuation of similar companies, changes in investor and analyst perceptions of the Vorwerk Group and our industry, publications of research reports about the Vorwerk Group or our industry, the failure of analysts to cover the Shares after the Listing, changes in general economic conditions, changes in the shareholder structure and other factors, such as departure of key personnel, the activities of competitors and suppliers, litigation and governmental investigations or changes in the statutory framework in which we operate affecting us or the market in which we operate. In addition, general fluctuations in share prices and trading volumes, especially those of companies in the same industry in which we operate in, or general market conditions or a general downturn in worldwide or local stock markets, may put pressure on the price of the Shares without there being a specific reason for this relating to our business, actual results, financial condition or earnings outlook. In addition, the free float in terms of absolute number of Shares may intensify these share price fluctuations. Fluctuations in the price of the Shares could itself have a material adverse effect on the overall price of the Shares. Fluctuations could also make it more difficult for the Company to issue new Shares in the future at a time and price that the Company deems appropriate.

1.5.6 The Offering may not take place.

The underwriting agreement entered into by the Company, the Selling Shareholders the Joint Bookrunners and the Placement Agent (the "**Underwriting Agreement**") provides that the obligations of the Joint Bookrunners are subject to conditions, including, among other things, the conclusion of a pricing agreement, and also provides that the Joint Global Coordinators on behalf of the Joint Bookrunners may terminate the Underwriting Agreement under certain circumstances. In the event of a non-occurrence of conditions or a termination of the Underwriting Agreement, the Offering will not take place. Claims for securities commissions already paid and other costs incurred by investors in connection with their subscription are solely subject to the legal relationship between the respective investor and the institution where the purchase order was placed. Allotments to shareholders already affected will be void. In such a case, investors have no claim to receive Shares of the Company. Short sellers bear the risk of not being able to meet their share delivery obligations.

1.5.7 Shareholders in jurisdictions outside Germany may not be able to participate in future issues of the Company's shares unless we decide to take additional steps to comply with applicable local laws and regulations of such jurisdictions.

In the case of certain increases in the Company's issued share capital, the Company's existing shareholders are generally entitled to subscribe to the newly issued shares unless such subscription rights are specifically excluded. Shareholders outside Germany may however not be able to exercise their subscription rights unless the Company decides to comply with applicable local laws and regulations. We cannot assure any shareholders outside Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

1.5.8 The Company's ability to pay dividends depends, among other things, on its financial condition and results of operations.

Any potential future determination by the Company to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the level of distributable profit for the respective year, our results of operations, financial condition, our investment policy, market developments and capital requirements based on the unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as well as shareholders' consent. There can be no assurances that the Company's or its subsidiaries' performance will allow the Company to pay dividends in the foreseeable future. In particular, the ability to pay dividends may be impaired if any of the risks described in this section "*Risk Factors*" were to occur.

Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends and could cause the price of the Shares to fall, in which case investors could lose some or all of their investment.

1.5.9 The Company will incur increased costs as a result of operating as a public company, and its management will be required to devote substantial time to additional compliance initiatives and to additional legal, regulatory and administrative requirements. If the Company fails to comply with these requirements, it will possibly damage its reputation and may affect an investment in the Shares.

As a public company whose shares are listed on the regulated market of the Frankfurt Stock Exchange in the sub-segment with additional post-admission obligations (Prime Standard), the Company incurs significant accounting, legal and other expenses that it did not incur as a private company. Compliance with these rules and regulations will increase the Company's legal and financial compliance costs, introduce new costs (including stock exchange listing fees and costs related to investor relations and shareholder reporting), and make certain activities more time consuming and costly. They also might make it more difficult for the Company to obtain director and officer liability insurance at reasonable costs and the Company may incur substantial costs to maintain sufficient coverage.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies generally, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Company intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us which could have an adverse effect. We cannot predict or estimate the amount or timing of additional costs we may incur in the future to respond to these continually evolving requirements. The impact of these requirements could also make it more difficult for the Company to attract and retain qualified persons to serve on its administrative board or in other senior management positions.

Furthermore, the Company might fail to establish and maintain effective systems of internal control over financial reporting or other obligations related to the Listing. These include the obligation to issue half-year interim financial statements and quarterly interim reports for the first time and no assurance can be given that the Company will comply with such regulations in the future given the fact that the Company is currently in the process of adjusting its internal functions towards such future requirements. If the Company fails to provide the necessary data or violates any other applicable rules and regulations, it might be faced with administrative proceedings which could, among other things, result in fines being imposed on the Company and ultimately the revocation of the listing order by the Frankfurt Stock Exchange. Furthermore, such non-compliance with the applicable rules and regulations would possibly damage the Company's reputation and may affect an investment in the Shares.

1.5.10 The ability of shareholders to bring actions or enforce judgments against the Company or members of its management board or supervisory board may be limited.

The ability of shareholders to bring an action against the Company may be limited. The Company is a European stock corporation (*Societas Europaea* (SE)) incorporated under the laws of Germany and regulated by the Council Regulation (EC) No 2157/2001 on the Statute for a European Company (*Societas Europaea* - SE). The rights of shareholders are governed by German law and by the Company's articles of association. These rights differ from the rights of shareholders in other jurisdictions. It may be difficult for a shareholder to prevail in a claim against the Company or to enforce liabilities predicated upon the laws of jurisdictions other than Germany.

A shareholder may not be able to enforce a judgment against some or all of the members of the Company's management board (the "**Management Board**") or the Supervisory Board. It may not be possible for a shareholder to effect service of process upon members of the Management Board or Supervisory Board within such shareholder's country of residence, or to enforce against members of the Management Board or Supervisory Board judgments of courts of such shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a shareholder will be able to enforce any judgment in civil and commercial matters or any judgments against the members of the Management Board or Supervisory Board who are residents of countries other than those in which the judgment is made. In addition, German and other courts may not impose civil liability on members of the Management Board or Supervisory Board in any original action based solely on foreign securities laws brought against the Company or members of the Management Board or Supervisory Board in a court of competent jurisdiction in Germany or other countries.

All members of the Management Board and Supervisory Board are residents of Germany, and substantially all or a significant portion of the assets of the Vorwerk Group and those of the Company's directors and executive officers are located outside the United States. As a result, a shareholder may be unable to enforce judgments obtained in U.S. courts against them. Moreover, in light of recent decisions of the Supreme Court of the United States, actions of the Company may not be subject to the civil liability provisions of U.S. federal securities laws.

2. GENERAL INFORMATION

2.1. Responsibility for the Content of the Prospectus

Friedrich Vorwerk Group SE is a European stock corporation (*Societas Europaea*) with its registered seat at Niedersachsenstraße 19-21, 21255 Tostedt, Germany; LEI 529900NBM89YAM5ENI18; ISIN DE000A255F11 (the "**Company**" and, together with its consolidated subsidiaries, the "**Vorwerk Group**", "**we**", "**our**", and "**us**") and the holding company of the Vorwerk Group. The Company was established in October 2019 and became the parent company of the Vorwerk Group when the Selling Shareholders contributed a total of approximately 89.925% of the shares in Friedrich Vorwerk SE & Co. KG (formerly Friedrich Vorwerk KG (GmbH & Co.)) (the "**Vorwerk KG**"), until such contribution the parent company of the Vorwerk Group, to the Company by way of a capital increase in kind. Therefore, for the time period before such contribution, the terms "**Vorwerk Group**", "**we**", "**our**" and "**us**" refer to Vorwerk KG, together with its consolidated subsidiaries. The Company, together with Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Hamburg, Germany, under the number HRA 42659, LEI 529900UC2OD7I124Z667 ("**Berenberg**") and Jefferies GmbH, Bockenheimer Landstraße 24, 60323 Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany under the number HRB 108812, LEI 5493004I3LZM39BWHQ75 ("**Jefferies**") (together, the "**Joint Global Coordinators**"), Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, a German stock corporation (*Aktiengesellschaft* or *AG*), Kaiserstraße 24, 60311 Frankfurt am Main, Germany, registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Frankfurt am Main, Germany, under the number HRB 108617, LEI 5299000OZP78CYPYF471 ("**Hauck & Aufhäuser**"), together with the Joint Global Coordinators, the "**Joint Bookrunners**", and Jefferies International Limited, 100 Bishopsgate, London EC2N 4JL, United Kingdom, registered under the number 01978621, LEI S5THZMDUJCTQZBTRVI98 ("**Jefferies International**" or the "**Placement Agent**"), assume responsibility for the contents of the Prospectus pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in conjunction with Article 11 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended (the "**Prospectus Regulation**") and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

2.2. General Disclaimers

Neither the Company, the Joint Bookrunners nor the Placement Agent are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), which stipulates that every significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay.

The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies will no longer apply when the Prospectus is no longer valid. The closing of the offer period is expected to occur on or about March 23, 2021 and the time when trading on a regulated market begins is expected to occur on or about March 25, 2021. Accordingly, the validity of the Prospectus is expected to expire at the end of the day on or about March 25, 2021.

2.3. Competent Authority Approval

The Prospectus constitutes a prospectus for the purposes of Article 3 of the Prospectus Regulation and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"), as competent authority under the Prospectus Regulation. BaFin only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or its shares. Investors should make their

own assessment as to the suitability of investing in the securities. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the respective national legislation of the relevant member state of the European Economic Area ("EEA"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

2.4. Subject Matter of the Prospectus

The Prospectus relates to the offer of 9,200,000 ordinary bearer shares with no par value (*Stückaktien*) of the Company, each such share with a proportionate amount of EUR 1.00 in the share capital and full dividend rights as from January 1, 2021 (the "**Offering**"), comprising:

- 2,000,000 ordinary bearer shares with no par value (*Stückaktien*) to be newly issued from a capital increase against contribution in cash expected to be resolved by an extraordinary shareholders' meeting of the Company on or about March 18, 2021 and expected to be consummated on or about March 23, 2021 (the "**New Shares**");
- 6,000,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of MBB SE, a European stock corporation (*Societas Europaea*) established under the laws of Germany registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin under the number HRB 165458 ("**MBB SE**") and ALX Beteiligungsgesellschaft mbH, a German limited liability company (*Gesellschaft mit beschränkter Haftung* or *GmbH*) registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany under the number HRB 207063 ("**ALX Beteiligungsgesellschaft mbH**") and together with MBB SE, the "**Selling Shareholders**") (the "**Secondary Shares**"); and
- 1,200,000 existing ordinary bearer shares with no par value (*Stückaktien*) from the holdings of the Selling Shareholders to cover potential over-allotments (the "**Over-Allotment Shares**" and, together with the New Shares and the Secondary Shares, the "**Offer Shares**").

For purposes of admission to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), the Prospectus relates to up to 20,000,000 ordinary bearer shares with no par value (*Stückaktien*) of the Company (the Company's entire share capital, including the New Shares to be placed in connection with the Offering), each such share with a proportionate amount of EUR 1.00 in the share capital and full dividend rights as from January 1, 2021.

The Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any shares offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. For further information on certain selling restrictions with respect to the Offer Shares, see "**17.5. Selling Restrictions**".

For further information on the Offering, see "**3. The Offering**".

2.5. Forward-Looking Statements

The Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies, in particular, to statements in the Prospectus containing information on our future earnings capacity, plans and expectations regarding our business, growth, and profitability, as well as the general economic and legal conditions to which we are exposed. Statements made using forward-looking terminology such as "aim", "anticipate", "expect", "intend", "plan", "predict", "project" and "target", or the negative of these words, are an indication of forward-looking statements. Certain forward-looking statements throughout the Prospectus, in particular in sections "**10. Business**" and "**20. Recent Developments and Outlook**", relating to forecasts or expectations of market developments in the years 2021.

The forward-looking statements contained in the Prospectus are based on our current estimates and assessments. They are based on assumptions, such as constant foreign exchange rates and no significant changes to the

Vorwerk Group structure, due to future acquisition activities or otherwise, and subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances – including with regard to our business, results of operations, financial position, cash flows and prospects – to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if our future results meet the expectations expressed herein, they may not be indicative of the results of any succeeding periods.

In light of these uncertainties and assumptions, future events mentioned in the Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third-party sources could prove to be inaccurate. For more information on third-party sources, see "2.4. Information from Third Parties".

The forward-looking statements contained in the Prospectus speak only as of the date of the Prospectus. Investors are advised that neither we nor the Joint Bookrunners assume any obligation and do not intend, except as required by law, to publicly release any updates or revisions to these forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based or to adjust them in line with future events or developments.

2.6. Information from Third Parties

The Prospectus contains industry and customer-related data, as well as calculations sourced from industry reports published by third parties, market research reports, publicly available information and commercial publications of third parties. These publications generally state that the information they contain has originated from sources assumed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on assumptions. In particular, these sources may not fully reflect the potential impact of COVID-19 due to, among other things, uncertainties surrounding its further development. In view of the potential effects of this pandemic on the economy, society and markets in which we operate, all current forecasts can be made only with a considerably higher degree of uncertainty. This applies particularly in the context of links and interrelations between the global financial markets, economies and political decisions, which each individually may have an influence on the economic and political development, and when combined are currently impossible to assess with any certainty ex ante.

Irrespective of the assumption of responsibility for the contents of the Prospectus by the Company and the Joint Bookrunners ("2.1. Responsibility for the Content of the Prospectus"), neither the Company nor the Joint Bookrunners have independently verified such information or make any representation or give any warranty as to the accuracy or completeness of such information.

Where information in the Prospectus has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, as far as the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In preparing the Prospectus, the following sources of third party information were used:

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The Prospectus also contains estimates of market and other data and information derived from such data that cannot be obtained from publications by market research institutes or from other independent sources. Such information is partly based on our own market observations, the evaluation of industry information (e.g., from conferences or sector events), and internal assessments. We believe that our estimates of market and other data and the information derived from such data assist investors in gaining a better understanding of the industry in which we operate and our position therein. Our own estimates have not been checked or verified externally. We nevertheless believe that our own market observations are reliable. We assume no responsibility for the accuracy of our own estimates and the information derived therefrom. They may however differ from estimates made by our competitors or from current and future studies conducted by market research institutes or other independent sources.

Information contained on any website mentioned in the Prospectus, including our own website, is not incorporated by reference in the Prospectus and is not part of the Prospectus.

2.7. Presentation of Financial Information

2.7.1 Historical Financial Information

This Prospectus includes English-language translations of the Company's German-language audited consolidated financial statements as of and for the fiscal year ended December 31, 2020 (the "**Audited Consolidated Financial Statements 2020**") and the Company's German-language unconsolidated financial statements as of and for the fiscal year ended December 31, 2019 (the "**Audited Financial Statements 2019**"). Moreover, the Prospectus includes the English-language translation of the German-language audited consolidated financial statements of Vorwerk KG as of and for the fiscal year ended December 31, 2019 (the "**Audited Consolidated Financial Statements 2019**" and, together with the Audited Consolidated Financial Statements 2020, the "**Audited Consolidated Financial Statements**"). The Audited Consolidated Financial Statements and the Audited Financial Statements 2019 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). Furthermore, this Prospectus includes financial information as of and for the fiscal year ended December 31, 2018 that was audited in connection with the audit of the Audited Consolidated Financial Statements 2019 and is included therein as comparative financial information. Finally, this Prospectus includes the English-language translation of the German-language audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2020, which were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) (the "**Audited Financial Statements 2020**").

The Audited Consolidated Financial Statements, the Audited Financial Statements 2019 and the Audited Financial Statements 2020 are included in this Prospectus beginning on page F-1 and were audited by RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Georg-Glock Str. 4, 40474 Düsseldorf, Germany ("**RSM**") in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer – IDW*). RSM issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this Prospectus.

The fiscal years ended December 31, 2020, 2019, and 2018 are also referred to in the Prospectus as "**fiscal year 2020**", "**fiscal year 2019**", and "**fiscal year 2018**", respectively.

Where financial data in tables in this Prospectus is labelled "audited", it has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in tables in this Prospectus to indicate financial data that has not been taken or derived from the Audited Consolidated Financial Statements, but was taken from the internal reporting system of Friedrich Vorwerk Group SE and Vorwerk KG or has been calculated based on financial data from the above-mentioned sources.

2.7.2 Alternative Performance Measures

This Prospectus contains certain financial measures that are not required by, or not presented in accordance with, IFRS or the German Commercial Code (*Handelsgesetzbuch*) and German generally accepted accounting principles as alternative performance measures in accordance with the Commission Delegated Regulation (EU) 2016/301 and the guidelines on alternative performance measures published by the European Securities and Markets Authority on October 5, 2015. In this Prospectus, we present alternative financial measures as (i) supplemental information because they are used by our management to measure operating performance, including in presentations to our management and as a basis for strategic planning and forecasting, and (ii) they represent measures that we believe are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance. These financial measures may enhance management's and investors' understanding of our financial performance by excluding items that are not classified as part of its ongoing operations. We define "Adjusted Revenue", "Adjusted EBITDA", "Adjusted EBIT", "Adjusted EBT" and "Adjusted Net Profit" as EBITDA, EBIT, EBT and Net Profit, respectively, adjusted for income from initial consolidation ("**Badwill**"), depreciation and amortization and deferred taxes in connection with business combinations and the contributions to our Revenue, EBITDA, EBIT, EBT and Net Profit, respectively, from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward (each of these metrics, an "**Alternative Performance Measure**"). We believe Adjusted EBITDA, Adjusted EBIT, Adjusted EBT and Adjusted Net Profit are meaningful to enhance an understanding of our financial performance and that these measures are frequently used as a measure of financial performance and to compare our performance with the performance of similar companies. In addition, we show three operating metrics: Order Backlog, Order Intake and Adjusted Revenue per Employee.

However, the Alternative Performance Measures and operating metrics as used in this Prospectus are not defined by IFRS or any other internationally accepted accounting principles, and investors should not consider such items as an alternative to the historical financial results or other indicators of our performance, assets or liabilities based on IFRS measures. In particular, they should not be considered as alternatives to our net profit as an indicator of our profitability, or as alternatives to cash flows from operating activities as an indicator of our financial strength. The alternative performance measures, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our alternative performance measures are calculated. Even though the alternative performance measures are used by our management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools and investors should not consider them in isolation, or as substitutes for, the analysis of our results of operations, financial position and cash flows as reported under IFRS.

For a definition of these APMs and operating metrics, as well as a reconciliation of these APMs to results or other performance measures presented in accordance with IFRS, see "*8.4. Alternative Performance Measures and other Operating Metrics*".

2.7.3 Like-for-Like Information

On December 10, 2019, we completed the acquisition of 100% of Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH (these acquisitions together, the "**2019 Acquisition**" and these acquired companies together, "**Bohlen & Doyen**"). Following the 2019 Acquisition, the items contained in the consolidated income statement of the Audited Consolidated Financial Statements 2020 compared to the items contained in the consolidated income statement of the Audited Consolidated Financial Statements 2019 changed significantly. In order to improve the comparability of the Audited Consolidated Financial Statements 2020 to the Audited

Consolidated Financial Statements 2019, we prepared like-for-like financial information for all line items of the income statement in the notes to the Audited Consolidated Financial Statements 2020 (the "**Like-for-Like Financial Information**"). This Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen had been a part of the Vorwerk Group for the entire fiscal year 2019. Where financial information for the fiscal year 2019 is referred to as "Like-for-Like" in this Prospectus, the figures refer to the Like-for-Like Financial Information. For further information, see "8.5.17. *Like-for-Like comparison of results for the fiscal years ended December 31, 2020 and 2019*".

2.8. Documents Available for Inspection

For as long as the Prospectus is valid, copies of the following documents will be available for inspection on the Company's website at www.friedrich-vorwerk.de:

- the Company's articles of association dated February 24, 2021 (the "**Articles of Association**");
- the Audited Consolidated Financial Statements 2020;
- the Audited Financial Statements 2019;
- the Audited Consolidated Financial Statements 2019; and
- the Audited Financial Statements 2020.

2.9. Note Regarding Figures and Technical Terms

Some figures (including percentages) in the Prospectus have been rounded in accordance with commercial rounding. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in the Prospectus due to rounding in accordance with commercial rounding. In the Audited Financial Statements contained under the heading "*19. Financial Information*" and in the main body of the Prospectus, a dash ("—") indicates that no data was reported for a specific line item in the relevant fiscal year or period, while a zero ("0") is used when the pertinent figure, after rounding, amounts to nil.

A glossary of certain technical and financial terms and abbreviations used in the Prospectus is provided at the end of the Prospectus under the heading "*21. Glossary*".

2.10. Information on Currencies

In the Prospectus, "**Euro**" or "**EUR**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany. Our principal functional currency is the Euro and we prepare our financial statements in Euro.

3. THE OFFERING

3.1. Subject Matter of the Offering

The Offering comprises 9,200,000 Offer Shares, comprising:

- 2,000,000 New Shares;
- 6,000,000 Secondary Shares; and
- 1,200,000 Over-Allotment Shares.

The Offering consists of (i) a public offering in Germany, (ii) private placements in certain jurisdictions outside the United States of America ("**United States**" or "**U.S.**") in offshore transactions in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (iii) a private placement in the United States only to persons reasonably believed to be qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**").

The Offer Shares have not been, and will not be, registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

The Offer Shares carry, and will carry upon admission to trading, the same rights as all other shares of the Company and confer no additional rights or benefits. All shares of the Company, including the Offer Shares, are subject to and governed by German corporate law. For information on the share capital of the Company, see "*14. Information on the Share Capital of the Company and Applicable Regulations*".

The Company will receive the proceeds from the sale of the New Shares, less certain commissions and expenses relating to the Offering. The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares as well as the potential sale of the Over-Allotment Shares, to the extent that the Greenshoe Option (as defined below) is exercised, in each case less commission and expenses in connection thereto.

Berenberg and Jefferies are acting as Joint Global Coordinators. Hauck & Aufhäuser together with the Joint Global Coordinators are acting as Joint Bookrunners. Jefferies International is acting as Placement Agent.

Under the Offering, the Joint Bookrunners are offering 2,000,000 New Shares and 6,000,000 Secondary Shares. In addition, the Selling Shareholders have granted an option to the Joint Bookrunners to borrow and acquire up to 1,200,000 further shares from the Selling Shareholders (up to 800,000 shares from MBB SE and up to 400,000 shares from ALX Beteiligungsgesellschaft mbH) in connection with a potential sale of Over-Allotment Shares, and the exercise of the Greenshoe Option, see "*3.9. Stabilization Measures, Over-Allotments and Greenshoe Option*". The number of Over-Allotment Shares, which may be allotted, must not exceed 15% of the sum of the allotted New Shares and Secondary Shares.

The Placement Agent has undertaken to perform, on behalf of Jefferies and in connection with the Offering, all regulated services outside the European Union or any member state of the European Economic Area.

In making an investment decision, each potential investor must rely on its own examination, analysis, and inquiry of the Company and the terms of the Offering, including the merits and risks involved.

None of the Company, the Selling Shareholders, or the Joint Bookrunners, or any of their respective affiliates, is making any representation to any offeree or purchaser of the Company's shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Company's shares.

3.2. Information on the Shares

3.2.1 Form and Representation of the Shares

As of the date of the Prospectus, the share capital of the Company amounts to EUR 18,000,000.00 and is divided into 18,000,000 ordinary bearer shares with no-par value (*Stückaktien*), each representing a proportionate amount of the share capital of EUR 1.00. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany and are denominated in Euro. All shares of the Company will be represented by one or multiple global share certificates which are or will be deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream Banking AG**").

Following the consummation of the capital increase for purposes of the issuance of the New Shares to be placed in connection with the Offering, expected to be registered with the commercial register (*Handelsregister*) on or about March 23, 2021, the Company's share capital will amount to up to EUR 20,000,000.00, divided into up to 20,000,000 ordinary bearer shares with no par value (*Stückaktien*), each representing a proportionate amount of the share capital of EUR 1.00. The share capital will be fully paid up.

For a description of the development of our share capital, see "*14.2. Development of the Share Capital since Incorporation*".

3.2.2 Voting Rights

Each of the Company's shares entitles the shareholder to one vote at the shareholders' meeting of the Company. There are no restrictions on voting rights. Major shareholders, including the Selling Shareholders, do not have different voting rights.

3.2.3 Transferability of the Shares

The Company's shares are freely transferable in accordance with the legal requirements for ordinary bearer shares; except for the restrictions described under "*3.11. Lock-Up Commitments*" and "*17.5 Selling Restrictions*", there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

3.2.4 Dividend Rights and Share in Liquidation Proceeds

The shares carry full dividend rights as from January 1, 2021. In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the shareholders in proportion to their interest in the Company's share capital.

3.3. ISIN, WKN and Trading Symbol

International Securities Identification Number (ISIN)	DE000A255F11
German Securities Code (<i>Wertpapier-Kennnummer, WKN</i>)	A25 5F1
Trading Symbol	VH2

3.4. Price Range, Offer Period, Offer Price and Allotment

The price range within which purchase orders may be placed is from EUR 41.00 to EUR 56.00 per Offer Share (the "**Price Range**").

The Offering allows investors to submit purchase orders for the shares during a period which is expected to commence on March 15, 2021 and is expected to end on or about March 23, 2021 (the "**Offer Period**"). On the last day of the Offer Period, purchase orders may be submitted (i) until 12:00 (CET) by retail investors and (ii) until 14:00 (CET) by institutional investors. Purchase orders must be for at least ten Offer Shares and be expressed in full Euro amounts or increments of 25, 50, or 75 Eurocents. Multiple purchase orders are permitted.

Subject to the publication of a supplement to this Prospectus, if required, the Company, the Selling Shareholders and the Joint Bookrunners reserve the right to reduce the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period

Changes in relation to the number of Offer Shares, changes to the Price Range, or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to the Prospectus, investors who submitted purchase orders before the supplement is published shall have the right, pursuant to Article 23 of the Prospectus Regulation, to withdraw offers to purchase already placed within two working days of the publication of the supplement. To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg and/or the Company's website) and, if required by Regulation (EU) No 596/2014 (the "**Market Abuse Regulation**"), as an ad-hoc release via an electronic dissemination information system on the Company's website and as a supplement to the Prospectus. Investors who have submitted offers to purchase will not be notified individually. Under certain conditions, the Joint Global Coordinators acting on behalf of the Joint Bookrunners may terminate the underwriting agreement regarding the coordination, structuring and implementation of the Offering, which was concluded by the Company, the Selling Shareholders, the Joint Bookrunners and the Placement Agent on March 15, 2021, (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (see also "**17.4. Termination/Indemnification**"). The Underwriting Agreement does not include a firm commitment by the Underwriters to acquire the Offer Shares.

Investors are free to withdraw their offers to purchase until the end of the Offer Period. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the offers to purchase then available. Until and including March 26, 2021 the Underwriting Agreement may be terminated by the Joint Global Coordinators on behalf of the Joint Bookrunners. In the case of a termination of the Underwriting Agreement, the Offering will not take place, allocations of Offer Shares to investors will become ineffective, and investors have no claim regarding the delivery of the Offer Shares.

Once the Offer Period has expired, the final number of Offer Shares and the final offer price (the "**Offer Price**") will be determined by the Company and the Joint Global Coordinators after consultation with the Selling Shareholders. This procedure is expected to take place on or about March 23, 2021. The Offer Price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book during the bookbuilding process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This method of setting the Offer Price is, in principle, aimed at achieving the highest possible Offer Price.

Consideration will also be given to whether the Offer Price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares noted in the order book during the book building process. Attention will be paid not only to the price offered by investors and the number of investors wanting shares at a particular price but also to the composition of the group of shareholders in the Company that would result at a given price (so-called investor mix) and expected investor behavior. For further information regarding allotment criteria, see "**3.5. Allotment Criteria**". The Company and the Selling Shareholders will not charge investors any expenses or taxes incurred in connection with the Offering. Particularly if the placement volume proves insufficient to satisfy all orders placed at the Offer Price, the Joint Global Coordinators on behalf of the Joint Bookrunners reserve the right to reject orders or to accept them in part only.

The final number of Offer Shares and the Offer Price are expected to be published on or about March 23, 2021 by means of an ad-hoc announcement in various media (*Medienbündel*) distributed across the entire EEA and on the Company's website (www.friedrich-vorwerk.de). Investors who have placed purchase orders with one of the Joint Bookrunners can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them, at the earliest, on the bank business day following the pricing. As trading in the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence two business days following the setting of the Offer Price, investors may not have obtained information about the number of shares allotted to them at the time of commencement of trading. Book-entry

delivery of the allotted Offer Shares against payment of the Offer Price is expected to occur one business day after commencement of trading, *i.e.*, on or about March 26, 2021.

3.5. Currency of the Securities Issue

The Shares are denominated in Euros.

3.6. Allotment Criteria

The allotment of Offer Shares to retail investors and institutional investors will be decided by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. The decision ultimately rests with the Company and the Selling Shareholders. Allotments will be made on the basis of the quality of the individual orders and – in case of institutional investors – the quality of the individual investors as well as other important allotment criteria, for example the expected investment horizon and expected trading behavior of the investor, the timing of the order and the order size, to be determined by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators.

The allocation to retail or private investors (individuals) will be in accordance with the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) on June 7, 2000 (*i.e.*, drawing lots, allotment according to order size, allotment by means of a specific quote, allotment after the point in time of receipt of the purchase offer or selection according to other objective criteria). "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in connection with the Prospectus Regulation, as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined under the German Securities Trading Act (*Wertpapierhandelsgesetz*), are not viewed as "private investors" within the meaning of the allotment rules. The details of the allotment procedure will be stipulated after expiration of the Offer Period and published in accordance with the abovementioned allotment criteria.

3.7. Preferential Allocation

As part of the Offering, members of the management and supervisory bodies of Vorwerk Group and MBB intend to purchase Offer Shares at the Offer Price and they will receive a preferential allocation in connection with the Offering (the "**Preferential Allocation**"). The amount of Offer Shares allocated to the aforementioned persons will not exceed 1.5% of the Offer Shares. As part of the Preferential Allocation, the CFO of the Company, Tim Hameister, intends to purchase 6,000 Offer Shares at the Offer Price. Mr. Tim Hameister has committed not to sell or dispose such Offer Shares without prior written consent of the Company and the Joint Global Coordinators, which consent may not unreasonably be withheld or delayed, or to enter into certain other transactions regarding the Offer Shares acquired as part of the Offering for a minimum period of 360 days beginning at the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

3.8. Anticipated Timetable for the Offering

The anticipated timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

March 15, 2021.....	Approval of the Prospectus by BaFin Publication of the Prospectus on the Company's website Commencement of the Offer Period
March 23, 2021.....	Close of the Offer Period at (i) 12:00 (CET) for private investors (natural persons) and (ii) 14:00 (CET) for institutional investors; determination and publication of the final Offer Price and final number of shares allocated
March 25, 2021.....	Commencement of trading in the Company's shares on the regulated market (<i>regulierter Markt</i>) of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) and the sub-segment thereof with additional post-admission obligations (Prime Standard)
March 26, 2021.....	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

The Prospectus will be published on the Company's website at www.friedrich-vorwerk.de under the "Investor Relations - IPO" section.

3.9. Stock Exchange Admission and Commencement of Trading

The Company, together with the Joint Bookrunners, has applied on March 11, 2021 for admission of its entire share capital (including the New Shares to be placed in connection with the Offering) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, the sub-segment thereof with additional post-admission obligations (Prime Standard).

The decision on the admission of the Shares of the Company is expected to be announced on or about March 24, 2021 and will be made solely by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) at its discretion. Trading of the shares of the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on or about March 25, 2021.

3.10. Delivery and Payment

The delivery of the Offer Shares against payment of the Offer Price and customary security commissions (*Effektenprovision*) is expected to take place on or about March 26, 2021. The Offer Shares will be made available to shareholders in book-entry form as co-ownership interests in the global share certificate. Berenberg will act as settlement agent.

At their discretion, investors may choose to have shares they acquire in the Offering credited to the securities account of a German bank held for their account at Clearstream Banking AG, or to the securities account of a participant in Euroclear Bank S.A./N.V., 1, Boulevard Roi Albert II, 1120 Brussels, Belgium, as the operator of the Euroclear system, or to Clearstream Banking S.A., 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg.

3.11. Stabilization Measures, Over-Allotments, and Greenshoe Option

In connection with the placement of the Offer Shares, Berenberg, or persons acting on its behalf will act as stabilization manager on behalf of the Joint Bookrunners (the "**Stabilization Manager**") and may, as the Stabilization Manager acting in accordance with legal requirements such as Article 5(4) and (5) of the Market Abuse Regulation in conjunction with Articles 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052, take stabilization measures on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) to support the market price of the shares or any options, warrants, or rights with respect to, or other interest in, the shares or

other securities of the Company during the Stabilization Period (as defined below) and thereby counteract any selling pressure. As set forth in Article 6(5) of the Commission Delegated Regulation (EU) 2016/1052, the Stabilization Manager shall act as central point responsible and shall assume responsibility for the public disclosure requirements and for handling any request from any competent authorities referred to in such regulation.

The Stabilization Manager must record each stabilization order and transaction pursuant to applicable regulations. In addition, details of all stabilization transactions must be reported to the competent authorities of each trading venue on which the securities are admitted to trading or traded, as well as the competent authority of each trading venue where transactions in associated instruments for the stabilization of securities are carried out (if any).

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date of the commencement of trading of the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) – expected to be on or about March 25, 2021 – and must be terminated no later than 30 calendar days after such date (the "**Stabilization Period**").

The stabilization measures may result in a market price for shares of the Company that is higher than it would otherwise have been. Moreover, the market price may, temporarily, be at an unsustainable level. Stabilization measures shall not be executed above the Offer Price.

Under the possible stabilization measures, investors may, in addition to the New Shares and Secondary Shares be allotted up to 1,200,000 additional shares of the Company as part of an over-allotment of the shares to be placed ("**Over-Allotment**"). The number of Over-Allotment Shares which may be allotted must not exceed 15% of the sum of the allotted New Shares and Secondary Shares. In connection with potential Over-Allotments, the Stabilization Manager will be provided for the account of the Joint Bookrunners, in the form of a securities loan (*Wertpapierdarlehen*), with up to 1,200,000 shares of the Company from the holdings of any Selling Shareholder (which number of shares must also not exceed 15% of the number of placed New Shares and Secondary Shares. In connection with potential Over-Allotments, the Selling Shareholders will grant the Stabilization Manager an option to acquire all or part of the allotted Over-Allotment Shares for the account of the Joint Bookrunners, against payment of the Offer Price less agreed commissions ("**Greenshoe Option**" and any such Over-Allotment Shares purchased upon exercise of the Greenshoe Option, the "**Greenshoe Shares**"). The maximum extent to which the Greenshoe Option may be exercised is the extent to which shares of the Company have been placed by way of Over-Allotments. The Over-Allotment facility and the Greenshoe Option shall be exercisable by the Stabilization Manager and will terminate 30 calendar days after commencement of the stock exchange trading of the shares, which is expected to take place on or about March 25, 2021.

Once the Stabilization Period has ended, an announcement will be published within a week in various media outlets distributed across the entire EEA (*Medienbündel*) as to (i) whether stabilization measures were undertaken, (ii) the date on which stabilization started and when it last occurred, (iii) the price range within which stabilization transactions were carried out; the latter will be made known for each date on which a price stabilization transaction was carried out, and (iv) the trading venues on which stabilization transactions were carried out, where applicable.

3.12. Identification of Target Market

Solely for the purposes of the product governance requirements contained within: (a) Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and without assuming any responsibility or liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is suitable only for investors who do not need a guaranteed income or capital protection, who have at least informed knowledge and experience with financial instruments and (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment, and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal, or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties in the private placement parts of the Offering. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Offer Shares. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Offer Shares and determining appropriate distribution channels.

3.13. Lock-Up Commitments

3.13.1 Lock-Up of the Company

In the Underwriting Agreement, the Company has committed to an obligation *vis-à-vis* the Joint Bookrunners that the Company, for a period of 180 days following the first day of trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to take place on or about March 25, 2021, without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed will not and will not agree to:

- announce or effect an increase of the share capital of the Company out of authorized capital or contingent capital;
- submit a proposal for a capital increase to any shareholders' meeting for resolution (other than in respect of the creation of authorized or conditional capital);
- announce to issue, effect, or submit a proposal for the issuance of any securities convertible into shares of the Company or with option rights for shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in the preceding bullets.

The Company may, however, (i) issue or sell any shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under management and employee participation plans and (ii) undertake any corporate action for purposes of entering into joint ventures, other forms of cooperation or acquisitions, provided that the respective other party assumes towards the Joint Bookrunners the obligation to comply with the restrictions on the disposal of shares to which the Selling Shareholders are subject, see "3.11.2. Lock-Up of the Selling Shareholders".

3.13.2 Lock-Up of the Selling Shareholders

In the Underwriting Agreement, the Selling Shareholders have committed to an obligation *vis-à-vis* the Joint Bookrunners that, for a period of twelve months following the first day of trading of the Company's shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to take place on or about March 25, 2021, the Selling Shareholders will not, without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld or delayed, offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company held by the Selling Shareholders or any of its affiliated companies (other than members of the Vorwerk Group) (such shares, the "**Lock-up Shares**") or enter into a transaction or perform any action economically similar to those.

These restrictions shall not prohibit the Selling Shareholders from:

- entering into transactions involving Lock-up Shares which are settled off-exchange (*außerbörslich*) and where the relevant counterparty to the Selling Shareholders agrees to be bound by an identical lock-up commitment to the Joint Global Coordinators from the time of the relevant transaction for the then-remaining term of this lock-up commitment;
- accepting a general offer made to all holders of shares of the Company, on terms which treat all such holders alike (and executing and delivering an irrevocable commitment or undertaking to accept such general offer);
- selling or otherwise disposing of Lock-up Shares pursuant to any offer by the Company to purchase its own shares which is made on identical terms to all holders of shares of the Company;
- transferring or disposing of Lock-up Shares pursuant to a compromise or arrangement between the Company and its creditors or any class of them;
- taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company;
- transferring any Lock-up Shares to any family member of or company associated with the Selling Shareholders, where the relevant counterparty to the Selling Shareholders agrees to be bound by an identical lock-up commitment to the Joint Global Coordinators from the time of the relevant transaction for the then-remaining term of this lock-up commitment;
- any transfer of Over-Allotment Shares or Secondary Shares on the Selling Shareholders' behalf in accordance with the terms and conditions of the Underwriting Agreement;
- any circumstances where a disposal is required by law or by any competent authority or by order of a court of competent jurisdiction;
- any disposal for the purpose of pledging or charging any Lock-up Share to or for the benefit of a lender in connection with any margin loan facility made available to the Selling Shareholders; or
- any disposal for the purposes of transferring any Lock-up Shares pursuant to any enforcement of the security over any Lock-up Shares granted by the Selling Shareholders to or for the benefit of a lender in connection with any margin loan facility made available to the Selling Shareholders.

3.14. Designated Sponsor

Berenberg has agreed to assume the function of a designated sponsor (either itself or through one of its affiliates) of the Company's shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) for a period of two years.

Pursuant to the designated sponsor's agreement entered into between the Company and Berenberg, the designated sponsor will, among other things, place limited buy and sell orders for shares of the Company in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the shares. The designated sponsor is entitled to delegate its duties under the designated sponsor's agreement to third parties. In accordance with Sections 81 and 82 of the Exchange Rules (*Börsenordnung*) for the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the designated sponsor's agreement stipulates the duties and responsibilities of the designated sponsor. Among other things, the designated sponsor shall be available during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor shall provide quotes throughout the auction.

3.15. Interests of Parties Participating in the Offering

In connection with the Offering and admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous

admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), the Joint Bookrunners have a contractual relationship with the Company and the Selling Shareholders. The Joint Global Coordinators are advising the Company on the transaction and are coordinating the structuring and execution of the transaction. In addition, Berenberg has been mandated to act as designated sponsor for the Company's shares and DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main has been appointed to act as paying agent. Upon successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result of these contractual relationships, the Joint Bookrunners have a financial interest in the successful completion of the Offering.

Furthermore, in connection with the Offering, each of the Joint Bookrunners and any of their respective affiliates may take up a portion of the shares in the Offering as a principal position and in that capacity may retain, purchase, or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to shares being offered or placed should be read as including any offering or placement of shares to any Joint Bookrunners or any of their respective affiliates acting in such capacity. In addition, certain of the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps, warrants, or contracts for differences) with investors in connection with which such Joint Bookrunners (or their affiliates) may from time to time acquire, hold, or dispose of shares of the Company, the Selling Shareholders, or their affiliates, for their own account or the account of customers. None of the Joint Bookrunners intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and the Over-Allotment Shares (to the extent the Greenshoe Option is exercised), after deducting fees, commissions and expenses. Assuming a placement of 2,000,000 New Shares and 6,000,000 Secondary Shares at the mid-point of the Price Range, and full exercise of the Greenshoe Option and payment in full of a discretionary fee, net proceeds to the Selling Shareholders would amount to approximately EUR 313.7 million, or 78% of the total net proceeds from the Offering (see also "4.1. Proceeds and Costs of the Offering and the Listing"). Accordingly, the Selling Shareholders have an interest in the successful completion of the Offering. For an overview of direct and indirect shareholders of the Selling Shareholders, see "13.1. Major Shareholders of the Company". The chairman of the Supervisory Board holds several functions at affiliates of MBB SE; see "15.3.3. Current Members of the Supervisory Board". In addition, the Company's CEO is shareholder of ALX Beteiligungsgesellschaft mbH. Accordingly, their interests with respect to the Offering and admission of the Company's Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Furthermore, the Company's CFO Tim Hameister as well as executives of the Vorwerk Group will receive a bonus for the successful placement of the New Shares, which is based on the pre-money valuation of the Company upon pricing of the Offering, the number of New Shares placed in the Offering and the free-float post Offering. Such bonus would amount to EUR 3.2 million at the mid point of the Price Range. At the low end and at the high end of the Price Range, such bonus would be EUR 2.3 million and EUR 4.3 million, respectively. In addition, the Company's CFO has an interest in the Offering as a result of his interest in the Preferential Allocation to acquire Offer Shares. Furthermore, members of the management of MBB will receive a bonus, which is dependent on the success of the Offering. Accordingly, these persons have a financial interest in the successful completion of the Offering.

Some of the Joint Bookrunners, the Placement Agent or their affiliates have, and may from time to time in the future continue to have, business relations (including commercial banking, investment banking, advisory and ancillary activities) with, and may perform services for, the Vorwerk Group, the Selling Shareholders, or their affiliates, in the ordinary course of business and for which they may receive customary compensation, fees and/or commissions. Accordingly, these Joint Bookrunners and the Placement Agent have a financial interest in the successful completion of the listing.

Other than the interests described above, there are no material interests, in particular no material conflicts of interests, with respect to the Offering.

4. PROCEEDS AND COSTS OF THE OFFERING AND THE LISTING, REASONS FOR THE OFFERING AND THE LISTING AND USE OF PROCEEDS

4.1. Proceeds and Costs of the Offering and the Listing

The Company will receive the proceeds from the sale of the New Shares. The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and, potentially, the Over-Allotment Shares, if and to the extent the Greenshoe Option is exercised.

The amount of the total proceeds of the Offering as well as the costs related to the Offering and listing of the Company's share capital on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, the sub-segment thereof with additional post-admission obligations (Prime Standard), depend on the Offer Price.

The Company will receive the net proceeds resulting from the sale of the 2,000,000 New Shares. The Company will not receive any proceeds from the sale of the Secondary Shares and the potential sale of the Over-Allotment Shares, each from the holdings of the Selling Shareholders.

Assuming placement of the maximum number of New Shares, the Company estimates that at the mid-point of the Price Range, gross proceeds attributable to the Company would amount to EUR 97.0 million.

Assuming an Offer Price at the mid-point of the Price Range and placement of the maximum number of New Shares, the costs of the Company related to the Offering of the New Shares and the listing, including underwriting, placement and discretionary commissions payable to the Joint Bookrunners as well as an Offering-related bonus for the Company's CFO and executives of the Vorwerk Group, are expected to total approximately EUR 7.6 million.

Assuming placement of the maximum number of New Shares, the Company estimates that at the mid-point of the Price Range, net proceeds attributable to the Company would amount to approximately EUR 89.4 million.

The Selling Shareholders will receive the net proceeds from the sale of the Secondary Shares and the potential sale of the Over-Allotment Shares to the extent the Greenshoe Option is exercised. The Selling Shareholders will not receive any proceeds from the sale of the New Shares.

Assuming placement of the maximum number of Secondary Shares, the Selling Shareholders estimate that at the mid-point of the Price Range, gross proceeds attributable to the Selling Shareholders for the Secondary Shares would amount to EUR 291.0 million.

Assuming full exercise of the Greenshoe Option by the Selling Shareholders, the Selling Shareholders estimate that at mid-point of the Price Range, gross proceeds attributable to the Selling Shareholders for the Over-Allotment Shares would amount to approximately EUR 58.2 million.

Assuming placement of the maximum number of Secondary Shares and full exercise of the Greenshoe Option by the Selling Shareholders, the Selling Shareholders estimate that at the mid-point of the Price Range, gross proceeds attributable to the Selling Shareholders would total approximately EUR 349.2 million.

Assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Secondary Shares and full exercise of the Greenshoe Option, the costs of the Selling Shareholders related to the Offering of the Secondary Shares and the Over-Allotment Shares and the listing, including underwriting, placement and discretionary commissions payable to the Joint Bookrunners as well as an Offering-related bonus for members of the management of MBB, are expected to total approximately EUR 35.5 million.

Assuming an Offer Price at the mid-point of the Price Range, placement of the maximum number of Secondary Shares and full exercise of the Greenshoe Option, net proceeds attributable to the Selling Shareholders would amount to approximately EUR 313.7 million.

The Selling Shareholders will reimburse the Company for certain costs that are incurred in connection with the preparation and the execution of the Offering on a *pro rata* basis, calculated according to the ratio of the number

of Secondary Shares to the aggregate number of Offer Shares placed in the Offering (excluding Over-Allotment Shares) (see also "16.2.1.3. Cost Sharing and Indemnification Agreement").

Investors will not be charged expenses by the Company, the Selling Shareholders, or the Joint Bookrunners (in their capacity as Joint Bookrunners). Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

4.2. Reasons for the Offering and the Listing and Use of Proceeds

The Company intends to use the estimated net proceeds from the offering of the New Shares in the amount of approximately EUR 89.4 million (assuming a placement of 2,000,000 New Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option and payment in full of a discretionary fee) to expand its equity and generate cash proceeds from the Offering to set the basis for sustainable and profitable growth.

The proceeds are intended to be primarily used (i) to capture structural growth trends by focusing on technological solutions toward the clean energy transition and the use of clean hydrogen, (ii) to drive profitable growth by leveraging on existing client relationships and technologies, (iii) to continue the European expansion, and (iv) to enable the Vorwerk Group to use strategic acquisition opportunities as a catalyst to accelerate future growth. With regards to (i) and (iii), the Company intends to spend an estimated cumulative amount of EUR 75 million over the course of the next three to five years, of which approximately (i) one third shall be invested in a hydrogen lab as its center for hydrogen focused research and development activities, including the installation of an electrolyzer that shall not only serve as a demonstration plant for customers, but shall also produce green hydrogen for the decarbonization of the Vorwerk Group's own fleet and machinery, (ii) one third shall be invested in the Vorwerk Group's plant construction division including hydrogen-specific high-precision manufacturing technologies and calibration systems and (iii) one third shall be invested in digitalized energy infrastructure solutions and the Vorwerk Group's European expansion, particularly in the BeNeLux countries (*i.e.*, Belgium, Netherlands and the Grand Duchy of Luxembourg) and later in Spain.

It intends to achieve better access to the capital markets with the intended listing of its shares. In addition, the Selling Shareholders intend to partially divest its shareholding in the Company in connection with the Offering. In essence, the Company and the Selling Shareholders believe that the listing of the Company's shares will provide a number of benefits to the Vorwerk Group, including enhanced brand visibility and recognition and increased flexibility and ability to support and develop the Vorwerk Group's business through organic growth and selected acquisitions.

Moreover, the Company intends to achieve better access to the capital markets due to the intended listing of the shares on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, the sub-segment thereof with additional post-admission obligations (Prime Standard). Being a listed company is expected to increase its strategic and financial flexibility. Access to the capital markets may enable the Company to focus on profitable growth and further support the development of the Vorwerk Group.

The Company and the Selling Shareholders believe that the listing of the Company's shares will provide a number of benefits to the Vorwerk Group, including enhanced brand visibility and recognition, higher attractiveness as an employer and increased flexibility and ability to support and develop the Vorwerk Group's business through organic growth and selected acquisitions.

The Selling Shareholders will offer the Offer Shares to partially divest its shareholdings in the Company in connection with the Offering. As of the date of the Prospectus, the Selling Shareholders hold the entire share capital of the Company. In the context of the Offering, MBB SE intends to sell up to 40% of its interest in the share capital of the Company prior to the Offering, while ALX Beteiligungsgesellschaft mbH intends to sell up to 40% of its interests in the share capital prior to the Offering.

5. DIVIDEND POLICY

5.1. General Rules on Allocation of Profits and Dividend Payments

Shareholders have a share in the Company's profits determined in proportion to their interest in the Company's share capital. The participation of new shares in the profits may be determined in a different manner.

For a European company (SE) with a dual board structure under German law, the distribution of dividends for a given fiscal year and the amount and payment date thereof, are resolved by the shareholders' meeting of the subsequent fiscal year. The Management Board and the Supervisory Board submit a proposal for the distribution of dividends to the annual shareholders' meeting held within the first six months of the subsequent fiscal year. The shareholders' meeting then adopts a resolution on such distribution with simple majority of the votes cast without being bound by the proposal of the Board. Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's unconsolidated financial statements prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*). When determining the distributable profit, net income or loss for the fiscal year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for profit/loss carry forwards (*Gewinn-/ Verlustvorträge*) from the prior fiscal year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the distributable profit. The Management Board must prepare unconsolidated financial statements (balance sheet, income statement and notes to the unconsolidated financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Article 61 of the Council Regulation (EC) 2157/2001 of October 8, 2001 on the Statute for a European company (SE) ("**SE Regulation**") together with Section 170 of the German Stock Corporation Act (*Aktiengesetz*). According to Article 61 of the SE Regulation together with Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the shareholders' meeting in writing on the results.

The shareholders' meeting's resolution on the allocation of the distributable profits requires a simple majority of votes to be passed. Dividends resolved by the shareholders' meeting are due and payable immediately after the relevant shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. The Articles of Association do not provide for a later payment. Any dividends not claimed within the past three years become time-barred. Once the statute of limitations applies, the dividend payment claim passes to the Company. Since all of the Company's dividend entitlements will be evidenced by one global dividend coupon deposited with Clearstream Banking Aktiengesellschaft, Clearstream Banking Aktiengesellschaft will be able to transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon are published in the German Federal Gazette (*Bundesanzeiger*) immediately after the shareholders' meeting. To the extent dividends can be distributed by the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) and corresponding decisions are taken, there are no restrictions on shareholder rights to receive dividends. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid.

For more information on the taxation of dividends see "*18. Taxation of Shareholders in Germany*".

5.2. Dividend Policy and Earnings per Share

The Company was established in October 2019 and became the parent company of the Vorwerk Group when the Selling Shareholders contributed a total of 89.925% of the shares in Vorwerk KG to the Company by way of a capital increase in kind. The Company paid dividends in respect of the fiscal year 2020 of an aggregate of EUR 25,116 thousand (please refer to "*20. Recent Developments and Outlook*").

Subject to the availability of distributable profit (*Bilanzgewinn*) and distributable funds, the Company aims to distribute 10% to 20% of its consolidated net income pursuant to IFRS in the short and medium term. In the long term, the Company targets to distribute approximately 20% to 30% of its consolidated net income pursuant to IFRS.

The Company's ability to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the Management Board and Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval at a shareholders' meeting. As the Company does not conduct any operating business itself, its ability to pay dividends depends substantially on its current and future operating subsidiaries and affiliates making profits and distributing these to the Company or transferring them to the Company.

We can make no predictions as to the size of future profits available for distribution, or whether distributable profit (*Bilanzgewinn*) will be available at all, and hence we cannot guarantee that dividends will be paid in the future. In addition, MBB SE may, on the basis of its remaining interest in the Company's share capital upon completion of the Offering, determine the Company's dividend policy.

The table below shows our net results for the period (earnings) and our corresponding net results for the period (earnings) per share for the fiscal years 2020, 2019 and 2018 (based on the Audited Consolidated Financial Statements). The net results per share are calculated on the basis of one share with a proportionate amount of EUR 1.00 in the Company's share capital (on the basis of a share capital in the amount of EUR 18,000,000.00, which represents the share capital of the Company as of the date of the Prospectus), unless otherwise stated. The table also shows the net profit/loss for the year of the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) for the fiscal year 2020 and 2019 based on its Audited Unconsolidated Financial Statements:

(in EUR million, except as otherwise noted)	For the fiscal year ended December 31,		
	2020	2019	2018
	(audited, except as otherwise noted)		
Consolidated profit/loss (earnings) for the period in accordance with IFRS	30.6	28.4	10.4
Consolidated profit/loss (earnings) for the period attributable to the owners of the parent company in accordance with IFRS	30.6	28.4	10.4
<i>per share, in EUR (unaudited)</i> ⁽¹⁾	1.70	1.58	0.58
Net profit (<i>Jahresüberschuss</i>) of the Company for the year in accordance with the German Commercial Code (<i>Handelsgesetzbuch</i>)	25.1	0.0	-
<i>per share, in EUR (unaudited)</i> ⁽¹⁾	1.40	0.0	-

(1) Figures based on 18,000,000 shares, each with a proportionate amount of EUR 1.00 in the Company's share capital, which corresponds to the number of shares of the Company as of the date of the Prospectus.

6. DILUTION

The term dilution firstly relates to the dilution of the shareholdings and secondly to the dilution of value. The dilution of the shareholdings is the effect that the issuance of the New Shares has on the respective proportional percentage of the shareholding of the existing shareholders of the Company (see "13. Major Shareholders").

The dilution of value is the effect that the issuance and sale of the New Shares has on the net book value of the equity capital of the Company per share at a specific time.

As of December 31, 2020, the net asset value attributable to the shareholders of the Company in its consolidated statement of financial position based on the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2020, calculated as total assets less total liabilities, amounted to EUR 63,604 thousand, which corresponds to EUR 3.53 per share based on 18,000,000 outstanding shares immediately prior to the Offering.

Assuming a placement of 2,000,000 New Shares at the mid-point of the Price Range, after completion of the Offering, the net asset value attributable to the shareholders as of December 31, 2020, would amount to EUR 7.65 per share, which would correspond to an immediate accretion of EUR 4.12 per share, or 116.5%, for the existing shareholders, and a direct dilution of EUR 40.85 per share, or 84.2%, for the new shareholders.

The exact amount and the percentage of the dilutive effect of the New Shares depend on the amount of the net proceeds from the issuance of the New Shares. Such net proceeds depend on the number of New Shares issued and sold in the context of the Offering as well as on the amount of total costs to be borne by the Company.

Assuming aggregate net proceeds to the Company from the sale of the New Shares of approximately EUR 89.4 million at the mid-point of the Price Range (assuming a placement of 2,000,000 New Shares and payment by the Company of the discretionary fee in respect of the placement of the New Shares in full; see "4.1. Proceeds and Costs of the Offering and the Listing"), the net asset value attributable to the shareholders – had the Company already received the aggregate net proceeds by December 31, 2020 – would have been approximately EUR 153.0 million (calculated as net asset value attributable to the shareholders of the Company as of December 31, 2020, plus aggregate net proceeds to the Company from the sale of the New Shares, plus costs of EUR 7.6 million related to the Offering incurred up to and reflected in the net asset value as of December 31, 2020). At the low end and at the high end of the Price Range, the net asset value attributable to the shareholders would be EUR 139.5 million and EUR 166.3 million, respectively.

The dilutive effect of the Offering is illustrated in the table below demonstrating the amount by which the Offer Price at the mid-point of the Price Range exceeds the equity attributable to shareholders per share after completion of the Offering assuming the steps of the Offering described below had taken place on December 31, 2020. In this respect, the net book value attributable to shareholders as of December 31, 2020 is adjusted for the effects of the Offering, assuming an increase in the net book value attributable to shareholders at the mid-point of the Price Range by EUR 40.85. The assumed increase is based on the expected net proceeds from the sale of the New Shares not considering any tax effects.

The adjusted net book value attributable to shareholders is expressed as a per share figure, assuming 20,000,000 outstanding shares of the Company upon completion of the Offering (this per share figure being referred to as the "Post-IPO Equity attributable to Shareholders per Share").

(in EUR million, except as otherwise noted)	<u>As of December 31, 2020</u> (unaudited)
Offer price per share (based on the mid-point of the Price Range) (in EUR).....	48.50
Total gross proceeds to the Company (assuming full placement of the New Shares at the mid-point of the Price Range).....	97.0
Estimated total costs of the Offering to be borne by the Company (including underwriting and placement commissions payable to the Joint Bookrunners and assuming further payment in full of the discretionary fee) at the mid-point of the Price Range	7.6
Total net proceeds to the Company assuming full placement of the New Shares at the mid-point of the Price Range	89.4
Equity attributable to shareholders per share as of December 31, 2020 (assuming 18,000,000 outstanding shares of the Company immediately prior to the Offering) (in EUR).....	3.53
Post-IPO Equity attributable to Shareholders per Share (in EUR).....	7.65
Amount by which the Offer Price per share exceeds the Post-IPO Equity attributable to Shareholders per Share (immediate dilution to the new shareholders of the Company per share) (in EUR).....	40.85
<i>Percentage by which the Offer Price per share exceeds the Post-IPO Equity attributable to Shareholders per Share (in %).....</i>	<i>534.0</i>
Amount by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (immediate accretion to the existing shareholders of the Company) (in EUR).....	4.12
<i>Percentage by which the Post-IPO Equity per share exceeds the net book value per share immediately prior to the Offering (in %).....</i>	<i>116.5</i>

7. CAPITALIZATION AND INDEBTEDNESSⁱ

The following tables set forth our capitalization and indebtedness as of December 31, 2020. Investors should read these tables in conjunction with "8. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Audited Consolidated Financial Statements 2020 including the notes thereto, each contained in the Prospectus.

7.1. Capitalization Table

(in EUR thousand)	As of December 31, 2020	Adjusted for the effects of		
		Pre-IPO capital increase ⁽¹⁾	Payment of Dividends ⁽²⁾	Offering and IPO Capital increase ⁽³⁾
		(unaudited)		
Total current debt (including current portion of non-current debt) ⁽⁴⁾	70,515	70,515	70,515	70,515
of which is guaranteed.....	0	0	0	0
of which is secured ⁽⁵⁾	479	479	479	479
of which is unguaranteed/unsecured	70,036	70,036	70,036	70,036
Total non-current debt (excluding current portion of non-current debt) ⁽⁶⁾	42,793	42,793	42,793	42,793
of which is guaranteed.....	0	0	0	0
of which is secured ⁽⁵⁾	2,364	2,364	2,364	2,364
of which is unguaranteed/unsecured	40,429	40,429	40,429	40,429
Total shareholder's equity ⁽⁷⁾	63,604	63,604	38,487	127,882
of which share capital ⁽⁸⁾	3,120	18,000	18,000	20,000
of which is legal reserves ⁽⁹⁾	6,739	(8,141)	(8,141)	82,454
of which other reserves ⁽¹⁰⁾	53,744	53,744	28,628	25,428
Total ⁽¹¹⁾	176,912	176,912	151,796	241,190

- (1) Refers to the capital increase from capital reserves, please refer to "20.1.2 Shareholders Meeting held on February 10, 2021" for further details.
- (2) Refers to the payment of a dividend resolved in respect of the fiscal year ended December 31, 2020, please refer to "20.1.2 Shareholders Meeting held on February 10, 2021" for further details.
- (3) Assumes that 2,000,000 New Shares are sold in the Offering at the mid-point of the Price Range of EUR 48.50 and costs attributable to the Company of approximately EUR 7.6 million (please refer to "4.1. Proceeds and Costs of the Offering and the Listing" for further details).
- (4) Total current debt corresponds to "Current liabilities" in our Audited Consolidated Financial Statements for the Financial Year 2020 (as defined below).
- (5) Current and non-current bank liabilities are secured through registered mortgages on the plot of land in Harburger Straße 19, 21255 Tostedt (EUR 1,734 thousand for the benefit of UniCredit Bank AG), on the plot of land in Friedrich-Vorwerk-Straße 6, 21255 Tostedt (EUR 400 thousand for the benefit of UniCredit Bank AG) and on the plot of land in Gewerkenstraße 3, 44628 Herne (EUR 1,531 thousand for the benefit of UniCredit Bank AG). In addition, four machines of EAS Einhaus Anlagenservice GmbH serve as collateral.
- (6) Total non-current debt corresponds to "Non-current liabilities" in our Audited Consolidated Financial Statements for the Financial Year 2020 (as defined below).
- (7) Reflects item "equity" of the consolidated statements of financial position.
- (8) Reflects item "share capital" of the consolidated statements of financial position.
- (9) Reflects item "reserves" of the consolidated statement of financial position.
- (10) Reflects item "retained earnings and other reserves" of the consolidated statement of financial position.
- (11) Comprises total current debt, total non-current debt and total shareholder's equity.

7.2. Indebtedness Table

(in EUR thousand)	As of December 31, 2020	Adjusted for the effects of	
		Payment of Dividends ⁽¹⁾ (unaudited)	Offering and IPO Capital increase ⁽²⁾
A. Cash ⁽³⁾	50	50	50
B. Cash equivalents	45,204	20,088	109,483
C. Other current financial assets	0	0	0
D. Liquidity (A + B + C)	45,254	20,138	109,533
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) ⁽⁴⁾	1,889	1,889	1,889
F. Current portion of non-current financial debt ⁽⁵⁾	4,440	4,440	4,440
G. Current financial indebtedness (E + F)	6,329	6,329	6,329
H. Net current financial indebtedness (G – D)	(38,925)	(13,809)	(103,204)
I. Non-current financial debt (excluding current portion and debt instruments) ⁽⁶⁾	21,287	21,287	21,287
J. Debt instruments	0	0	0
K. Non-current trade and other payables.....	0	0	0
L. Non-current financial indebtedness (I + J + K).....	21,287	21,287	21,287
M. Total financial indebtedness (H + L).....	(17,638)	7,478	(81,917)

- (1) Refers to the payment of a dividend resolved in respect of the fiscal year ended December 31, 2020, please refer to "20.1.2 Shareholders Meeting held on February 10, 2021" for further details.
- (2) Assumes that 2,000,000 New Shares are sold in the Offering at the mid-point of the Price Range of EUR 48.50 and costs attributable to the Company of approximately EUR 7.6 million (please refer to "4.1. Proceeds and Costs of the Offering and the Listing" for further details).
- (3) Represents cash in hand recorded under "cash and cash equivalents" as shown in the consolidated statement of financial position of the Audited Consolidated Financial Statements.
- (4) Reflects items "liabilities to banks", "leasing liabilities" and "liabilities from participation rights" of the consolidated statement of financial position.
- (5) "Current financial debt" and "Current portion of non-current financial debt" together correspond to "liabilities to banks" and "leasing liabilities" as shown under "Current liabilities" in our consolidated statement of financial position.
- (6) Reflects "liabilities to banks" in the amount of EUR 6.9 million, "leasing liabilities" in the amount of EUR 4.2 million and "liabilities from participation rights" in the amount of EUR 10.2 million, each as shown under "Non-current liabilities" in the consolidated statement of financial position.

7.3. Indirect and Contingent Liabilities

As of December 31, 2020, the Company's indirect and contingent indebtedness amounted to EUR 119.8 million and comprised contingent liabilities amounting to EUR 95.3 million (mainly contractual guarantees) as well as provisions in the amount of EUR 24.5 million, consisting of provisions for pensions amounting to EUR 0.4 million and other provisions amounting to EUR 24.1 million, as shown in Notes II.14 and II.11 to the Audited Consolidated Financial Statements 2020.

For further information on our financing liabilities and other financial liabilities, see also "8.7.4. Sources of funding".

7.4. Working Capital Statement

In our opinion, our working capital is sufficient to meet our present requirements over at least the next twelve months from the date of the Prospectus.

7.5. No Significant Change

Between December 31, 2020 and the date of the Prospectus, other than the payment of dividends in February 2021, which led to a cash outflow of EUR 25,116 thousand, there has been no significant change in our financial position. For more details on the dividend payments and additional information on current trading and management's view on full-year trends, see "20. Recent Developments and Outlook".

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion of our financial condition and results of operations in conjunction with the section "7. Capitalization and Indebtedness" and the Audited Consolidated Financial Statements as well as information originating from Friedrich Vorwerk Group SE's and Friedrich Vorwerk SE & Co. KG's internal reporting systems. The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The audited financial information as of and for the fiscal year ended December 31, 2018 has been taken or derived from the Audited Consolidated Financial Statements 2019. The Audited Consolidated Financial Statements (which are included in this Prospectus beginning on page F-1) were audited by RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("RSM") in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer – IDW*). RSM issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this Prospectus. References to "we", "us", "our" and the "Vorwerk Group" (i) with regard to historical financial information as of and for the fiscal year ended December 31, 2020 are to Friedrich Vorwerk Group SE, and (ii) with regard to the fiscal years ended December 31, 2019 and December 31, 2018 are to Friedrich Vorwerk SE & Co. KG (previously Friedrich Vorwerk KG (GmbH & Co.)), in each case (i) and (ii) together with its consolidated subsidiaries, except where otherwise noted. Where financial data in tables in this Prospectus is labelled "audited", it has been taken from the Audited Consolidated Financial Statements. The label "unaudited" is used in tables in this Prospectus to indicate financial data that has not been taken from the Audited Consolidated Financial Statements, but was taken from the internal reporting system of Friedrich Vorwerk Group SE and Friedrich Vorwerk SE & Co. KG or has been calculated based on financial data from the above-mentioned sources.

This section contains certain Alternative Performance Measures and ratios including Adjusted Revenue, Adjusted EBITDA, Adjusted EBIT, Adjusted EBT and Adjusted Net Profit which are not required by, or presented in accordance with, IFRS (for further information, see "8.4.1. Alternative Performance Measures").

All of the financial information presented in the following tables is shown in Euro ("EUR"), thousands of Euro ("EUR thousand") or millions of Euro ("EUR million"). Numerical figures contained in the following tables in thousands or millions, as well as percentages relating to numerical figures have been rounded in accordance with standard commercial practice. Therefore, totals or subtotals contained in the following tables may differ minimally from figures provided elsewhere in this Prospectus, which have not been rounded off. Due to rounding differences, individual numbers and percentages may not add up exactly to the totals or sub-totals contained in the following tables or mentioned elsewhere in this Prospectus. In respect of financial data set out in the Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is, or has been rounded to, zero.

8.1. Overview

We believe we are a leading fully integrated solution provider for critical mid-stream on-shore energy transformation and transportation infrastructure ("**critical on-shore energy infrastructure**") in Germany and Europe. For further details on our business, see "10.1. Overview".

8.2. Basis of Preparation of Consolidated Financial Statements

8.2.1 Initial application of IFRS as of January 1, 2018

The provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" were applied. The date of transition to IFRS is January 1, 2018. All International Financial Reporting Standards whose application is mandatory for the fiscal year 2019 have been applied retrospectively from the date of transition. The previous fiscal year's figures were therefore determined on the basis of the same accounting standards. The mandatory exceptions to the retrospective application are as follows:

- The estimates made in accordance with the previous accounting principles (HGB) were retained at the respective dates. There were no objective indications that these estimates were incorrect (IFRS 1.14).

- The derecognition of financial assets and liabilities performed before the transition date has been retained as of January 1, 2018 in accordance with the requirements of IFRS 1 (IFRS 1.B2-B3).
- We applied the transitional provisions of IFRS 11 with the following exceptions: When switching from proportionate consolidation to the equity method, we tested the investment for impairment in accordance with IAS 36 at the time of transition. Any impairment in value is recognized as an adjustment to reserves and withdrawals at the transition date (IFRS 1.D31).

In addition, we made use of the following optional simplifications and exceptions to IFRS 1 in the transition from German commercial law to IFRS:

- We do not retrospectively apply IFRS 3 Business Combinations to business combinations prior to the date of transition to IFRS (IFRS 1.C1-C5).
- As a lessee, we measure the lease liability at the present value of the remaining lease payments, discounted using the marginal interest rate at the time of transition to IFRS. The rights of use are recognized at an amount corresponding to the respective lease liability. We apply a single discount rate to a portfolio of similarly structured leases. Lease payments under leases that expire within 12 months of the date of transition to IFRS or where the underlying asset is of minor value are expensed systematically over the term of the lease (IFRS 1.D9-D9D).

8.2.2 Segments

For our financial reporting, we have divided our business into four segments on the basis of IFRS 8. Segmentation reflects internal management and strategic development aspects and it is organized on a project basis. Generally, each project is assigned to one of the four segments. Projects may also be assigned to more than one segment. In this case, the projects are assigned to the segments on a pro rata basis.

The division into the four segments reflects our strategic view on our core and peripheral markets. The four segments are:

- **Natural Gas** – In our Natural Gas segment, we group all projects and partial projects that contain solutions and services to customers in the natural gas infrastructure market. We have a clear focus on the midstream sector of the market, *i.e.*, the on-shore transportation and transformation of raw natural gas into conditioned natural gas for TSOs, DSOs and to a lesser extent energy- and industrial-companies. We plan, engineer, build, operate and maintain infrastructure solutions for the on-shore transportation of natural gas through high-pressure pipelines and storage facilities as well as for the conditioning of the gas in filtering and separation systems, in compressor stations and pressure regulating and metering stations.
- **Electricity** – In our Electricity segment, we group all projects and partial projects that contain solutions and services to customers in the electricity infrastructure market. We have a clear focus on the on-shore transportation and transformation of electricity produced from climate-friendly, non-fossil energy sources such as wind, solar, water and renewable raw materials. We plan, engineer, build, operate and maintain infrastructure solutions for the on-shore underground transportation of high-voltage AC- or DC- electricity over long distances (typically from the landfall of off-shore electricity cables to distribution networks elsewhere in the country or in other European countries) as well as solutions for the transformation of electricity into the required form for onward transportation regarding voltage and type of current.
- **Clean Hydrogen** – In our Clean Hydrogen segment, we group all projects and partial projects that contain solutions and services to customers in the hydrogen infrastructure market. We have a clear focus on infrastructure for the electrolyzation of hydrogen and its on-shore transportation and storage for TSOs, DSOs and to a lesser extent energy- and industrial-companies. We plan, engineer, build, operate and maintain infrastructure solutions for the industrial production of hydrogen in the form of electrolyzer stations, focusing on the so-called balance-of-plant parts and peripheral attachments of such systems, such as heat exchanger solution to increase the efficiency of the electrolyzing process. We also plan, engineer, build, operate and maintain infrastructure solutions for the on-shore transportation of hydrogen through high-pressure

pipelines and storage facilities as well as for the conditioning of hydrogen in filtering and separation systems, in compressor stations and pressure regulating and metering stations.

- **Adjacent Opportunities** – In our Adjacent Opportunities segment, we bundle all other projects and partial projects that do not fall into any of the above three segments but require related or similar technological approaches. These include, but are not limited to (i) solutions and services for district heating, (ii) solutions and services for the fresh-water or waste-water transportation and treatment, (iii) solutions and services for the chemical and petrochemical industry with a focus on the on-shore transportation and storage of chemicals as well as (iv) solutions and services for the purification and transportation of biogenic and synthetic gases.

Segment reporting was applied for the first time in connection with the preparation of Audited Consolidated Financial Statements 2020. Therefore, no segment financial information for the fiscal year ended December 31, 2018 is available (please refer to "8.5.15. Results of Operations" for further details).

8.2.3 Accounting implications of the acquisition of the Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH

On December 10, 2019, we completed the acquisition of 100% of Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH (these acquisitions together, the "**2019 Acquisition**" and these acquired companies together, "**Bohlen & Doyen**"). Following the acquisition of Bohlen & Doyen, the items contained in the consolidated income statement of the Audited Consolidated Financial Statements 2020 compared to the items contained in the consolidated income statement of the Audited Consolidated Financial Statements 2019 changed significantly. In order to improve the comparability of Friedrich Vorwerk Group SE's Audited Consolidated Financial Statements 2020 to the Audited Consolidated Financial Statements 2019, we prepared like-for-like financial information for all income statement line items in the notes to our Audited Consolidated Financial Statements 2020 ("**Like-for-Like Financial Information**"). Such Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen had been part of the Vorwerk Group for the entire fiscal year 2019. Where financial information for the fiscal year 2019 is referred to as "Like-for-Like" in this Prospectus, the figures refer to the Like-for-Like Financial Information (for further information, see "8.5.17. Like-for-Like comparison of results for the fiscal years ended December 31, 2020 and 2019").

8.3. Key Factors Affecting our Results of Operations

We believe that the following factors have significantly affected our results of operations, financial position, and cash flows in the past periods for which financial information is presented in the Prospectus, and that these factors will continue to have a material influence on our results of operations, financial position and cash flows in the future.

8.3.1 Megatrends affecting the German and European Energy Markets

We operate in the German and European market for critical on-shore energy infrastructure. The critical on-shore energy infrastructure market is a matter of national energy security and therefore the German and European markets for energy infrastructure are heavily regulated and influenced by long-term political strategies of national European governments. The major factors affecting the long-term strategies over the past two decades have been preventive measures against climate change, in particular in Germany. The development of the accompanying political strategies in Germany and throughout Europe has led to the following megatrends, which significantly influenced our markets during the periods under review: (i) increasingly strong political pressure to implement climate protection and anti-global warming measures, (ii) the introduction and maintenance of national targets by governments to reduce dependency on fossil fuel and CO₂ emissions, and in addition in Germany, to shut down nuclear power plants by 2022, (iii) the transition toward clean energy technologies supported by EU and national government initiatives such as the European Green Deal, (iv) a growing awareness of the need for socially and environmentally sound energy policies among major international corporations, (v) significantly improved relative cost competitiveness of green energy technologies, and (vi) a tendency on the part of energy companies increasingly to outsource the operation of their energy infrastructure. These megatrends have shaped the demand of our customers for our critical on-shore energy infrastructure solutions during the periods under review, and

have historically been bolstered by EU and German governmental policies to drive forward the clean energy transition.

For example, the German government and the European Union introduced a number of measures starting in 2000 with the introduction of Renewable Energy Law (*Erneuerbare-Energien-Gesetz*) which provided a number of direct and indirect subsidies, incentives, revenue guarantees for investors in various forms of green energy production. These measures triggered investments by German and European energy companies in the German renewable power production infrastructure, which in turn fueled demand by TSOs and certain energy and industrial companies in our critical on-shore energy infrastructure solutions. As a result, we believe that these government subsidies and incentives will continue to drive the clean energy transition and increase demand from our customers for our critical on-shore energy infrastructure solutions, which, in turn, we expect to increase our revenue and positively affect our results of operations.

8.3.2 Acquisitions

In the periods under review, we grew our business organically as well as inorganically through acquisitions. In particular, on December 10, 2019, we completed the acquisition of Bohlen & Doyen. The business combination was carried out using the purchase method. The value of the revalued equity at the time of initial consolidation was EUR 10,400 thousand. The current receivables acquired as part of the transaction, which consisted primarily of trade receivables, had a fair value of EUR 2,391 thousand as of December 10, 2019, which was also the gross value of the receivables. Between the date of initial consolidation and December 31, 2019, we generated revenue of EUR 6,672 thousand and a loss of EUR 680 thousand from Bohlen & Doyen. If Bohlen & Doyen had already been included in the Vorwerk Group at the beginning of 2019, we would have generated revenue of EUR 104,354 thousand and a profit of EUR 7,485 thousand from these companies. Factoring out projects relating to the legacy offshore business of Bohlen & Doyen that we do not intend to continue, we would have generated revenue of EUR 96,828 thousand and a profit of EUR 6,734 thousand from these companies. The purchase price for the acquired shares was EUR 5,257 thousand and was paid in full in cash.

The resulting negative difference (badwill) of EUR 5,143 thousand has been reported as a separate line item in the consolidated statement of profit or loss. The badwill was essentially achieved through the advantages that we had over other potential buyers. These are, in particular, a very good liquidity position and a high degree of flexibility with regard to any requirements of the sellers. In this specific case, we were able to offer a takeover solution for Bohlen & Doyen Service und Anlagentechnik GmbH in addition to the original transaction object (Bohlen & Doyen Bau GmbH). Furthermore, our many years of experience and competent employees enable us to examine and execute company acquisitions in a very short time.

The table below shows the carrying amounts and fair values of the assets acquired and liabilities assumed as well as the reconciliation of the purchase price to the badwill in connection with the acquisition of Bohlen & Doyen.

Bohlen & Doyen	Carrying amount before purchase price allocation	Fair value under PPA
(in EUR thousand)	(audited)	
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 cash equivalents	6,671	6,671
Liabilities and provisions	25,256	30,610
Deferred tax liabilities.....	3,690	5,266
Identified net assets acquired.....	19,225	10,400

Determination of the difference

Bohlen & Doyen	Carrying amount before purchase price allocation	Fair value under PPA
Purchase price for acquired shares		5,257
Total purchase price		5,257
Identified net assets acquired (100%)		10,400
Difference amount		(5,143)
Net cash inflow from the 2019 Acquisition		1,414

On January 1, 2018, we completed the acquisition of EAS Einhaus Anlagenservice GmbH ("**EAS**"). EAS held a 50% share in European Pipeline Services GmbH ("**EPS**") at the time of the acquisition. We already held the remaining 50% share in EPS. Therefore, EPS was consolidated for the first time as of January 1, 2018. The business combination was carried out using the purchase method. The value of the revalued equity at the time of initial consolidation was EUR 3,995 thousand. The purchase price for the acquired shares was EUR 3,043 thousand, including the fair value of the old shares. The resulting negative difference (badwill) of EUR 1,162 thousand, including the income from the revaluation of the EPS shares was reported as a separate line item in the consolidated statement of profit or loss. Since the date of initial consolidation, we generated revenue of EUR 13,124 thousand from EAS and EPS for the fiscal year ended December 31, 2018.

In addition, we intend to further expand our operations through strategic acquisitions. Potential targets for such acquisitions include direct competitors whose acquisitions can expand our key business areas quickly, smaller regional players with fully certified employees and complimentary competencies to build our highly technically skilled workforce.

8.3.3 Fluctuations in order intake

As we construct critical on-shore energy infrastructure solutions, our customers' orders generally range in volume between EUR 50,000 to large contracts worth tens of millions of EUR. The frequency of large-scale orders from customers has historically affected and will in the future affect our results of operations.

We anticipate our revenue for any particular period based on our order intake and order backlog. We base our estimate of the amount of this revenue on the number of projects and contracts or orders for any particular period. If any contracts and/or orders for our critical on-shore energy infrastructure are cancelled or delayed, this could lead to lower revenue than anticipated. In the fiscal year 2020, we experienced a temporary reduction in the increase of our order intake particularly due to effects of COVID-19 (see "8.3.4. Effects of COVID-19 on our Business" below).

The following table shows the order intake at the end of the last three fiscal years:

(in EUR thousand)	2020	2019	2018
	(unaudited)		
Order intake for the fiscal year ended December 31^{(1), (2)}	312,524	290,703	124,176
Order backlog as of December 31^{(3), (4)}	306,508	285,775	174,403

(1) "Order intake" is defined as the annually compounded volume of legally binding orders as well as the determinable revenue from framework agreements based on historical data. We use order intake as an important key performance indicator to estimate future revenue and workload.

- (2) "Order intake" in the fiscal year 2019 includes the order backlog of Bohlen & Doyen at the date of first time consolidation (December 1, 2019) amounting to EUR 54.1 million.
- (3) "Order backlog" is defined as the remaining projected revenue under binding agreements for individual projects with customers not yet recognized as revenue of such orders as well as the determinable revenue from framework agreements based on historical data. We do not use order book as a description of unbinding orders. We use order backlog as an important key performance indicator to estimate future revenue and work load.
- (4) "Order backlog" in the fiscal year 2019 includes the order backlog of Bohlen & Doyen in the fiscal year 2019 amounting to EUR 55.6 million.

As a result of the aforementioned developments, our revenue increased only by EUR 14,778 thousand (or 5.3%) (on a like-for-like basis) from the fiscal year ended December 31, 2019 to the fiscal year ended December 31, 2020, as compared to an increase of EUR 73,458 thousand (or 69.3%) from the fiscal year ended December 31, 2018 to the fiscal year ended December 31, 2019. Fluctuations in order intake will continue to influence our results of operations to a significant extent in the near- to mid-term.

8.3.4 Effects of COVID-19 on our Business

In 2020, our business was adversely affected by COVID-19 as well as by its impact on the economic environment, our customers and suppliers. The onset of COVID-19 in 2020 resulted in lockdowns and various levels of restrictions of movement imposed in Germany and Europe and in other markets in where we sell our critical on-shore energy infrastructure solutions and these lockdowns have continued into 2021. These lockdowns led to delays in the tender and approval processes on both the governmental and individual customer level, which in turn led to a reduction in the increase of our order intakes in 2020. In light of such restrictive measures concerning construction sites, we were required to temporarily suspend our business activities on certain projects after some of our customers requested that our employees be restricted from having access to the customer work sites as a result of COVID-19. This in turn led to a delay in the recognition of revenue and cash flows from those levels we had originally expected before the onset of COVID-19. As a result of these measures, our results of operations were indirectly adversely affected. We estimate that closures and temporary work stoppages have decreased our overall result in the fiscal year ended December 31, 2020 by a low single digit EUR million amount. While we believe that the majority of our customers have made the necessary arrangements to avoid operational shutdowns resulting from a continuation or exacerbation of COVID-19, any such shutdowns cannot be ruled out in the future. As a result, we expect that our revenue (and the rate at which we convert our order backlog into revenue) will continue to be affected, to a certain extent, by COVID-19.

8.3.5 Cost structure

Our results of operations are significantly impacted by our ability to control our cost structure by limiting both internal and external costs and expenses.

The largest component of our cost structure is cost of materials, primarily consisting of all costs for subcontractors, external services and purchased parts. In addition, cost of materials comprises freight costs, packaging costs, guarantee expenses and energy costs. These costs fluctuate depending on how much new energy infrastructure equipment we need to construct during a particular period. In general, we expect that our cost of materials will grow as we continue to expand our business. For the fiscal years ended December 31, 2018, 2019 and 2020, our cost of materials amounted to EUR 38,970 thousand, EUR 82,476 thousand and EUR 128,474 thousand, respectively. This increase was in line with the acquisition of Bohlen & Doyen in 2019 and general organic growth during the periods under review. For the fiscal years ended December 31, 2018, 2019 and 2020, the ratios of cost of materials to total revenue were 36.8%, 46.0% and 44.0%. The increase was principally a result of a higher proportion of temporary workers and subcontractors, which we hired and/or contracted to process the strongly increased order intake and to avoid operational bottlenecks in the execution of certain labor-intensive projects while maintaining the exclusive engineering responsibility and overall project leadership.

Staff costs, consisting of wages and salaries as well as social security contributions, is the second largest component of our cost structure. Overall, staff costs are considered fixed costs. As our business grows, staff costs are expected to increase. For the fiscal years ended December 31, 2018, 2019 and 2020, our staff costs were EUR 41,884 thousand, EUR 51,591 thousand and EUR 89,446 thousand, respectively. This was in line with the

increase in the size of our business and the acquisition of Bohlen & Doyen in 2019. For the fiscal years ended December 31, 2018, 2019 and 2020, the ratios of staff costs to total revenue were 39.6%, 28.8% and 30.7%. The decrease was principally a result of the higher proportion of temporary workers and subcontractors accounted for in the cost of materials.

In addition, our results of operations are affected by our ability to efficiently manage the utilization rate of our technical assets such as our energy infrastructure construction equipment.

8.3.6 Economic conditions affecting our business

Our business depends on the demand of our customers (largely TSOs and certain energy and industrial companies) for our critical on-shore energy infrastructure solutions, largely in our Natural Gas and Electricity segments. In addition, we anticipate further demand in our Clean Hydrogen segment in the future, which in turn depends to a large extent on general economic conditions in Germany and Europe and in the other markets in which we intend to enter.

When general economic conditions in the markets in which our customers are active, mainly Germany and Europe, change, demand from our customers for our critical on-shore energy infrastructure solutions also tends to be affected. Such changes, particularly when they are widespread and pronounced, can therefore materially affect our results of operations. Our customers' businesses are generally affected by such factors as unemployment, interest rates, commodity prices, levels of international trade and regulatory policies. For the periods under review, our main market in which we operate (*i.e.*, Germany) experienced relatively low levels of unemployment, low interest rates, stable international trade practices and strong regulations supporting the clean energy transition in Germany and Europe. As a result, we believe that these conditions positively affected the business of our customers and thereby positively affected our results of operations.

For a more detailed discussion, see "9. Markets and Competitive Environment" section in this Prospectus.

However, the economic impact from COVID-19 adversely affected our results of operations. See above section "8.3.4. Effects of COVID-19 on our Business".

8.3.7 Seasonality

Our results of operations derived from our business are subject to seasonality. In general, construction activity in the critical on-shore energy infrastructure industry is significantly reduced between the months of December and February in any given year because adverse weather conditions impede the installation of our energy infrastructure equipment. This means that our revenue recognition and net income during these months is adversely affected, which in turn adversely affects our results of operations during those months. Any long-term adverse weather conditions outside of these months may also have the same adverse effect on our results of operations. Alternatively, any periods of good weather conditions during these months can lessen the adverse impact of this seasonality factor.

8.4. Alternative Performance Measures and other Operating Metrics

8.4.1 Alternative Performance Measures

We present certain financial measures that are not required by, or not presented in accordance with, IFRS or the German Commercial Code (*Handelsgesetzbuch*) and German generally accepted accounting principles as alternative performance measures in accordance with the Commission Delegated Regulation (EU) 2016/301 and the guidelines on alternative performance measures published by the European Securities and Markets Authority on October 5, 2015. In this Prospectus, we present alternative financial measures as (i) supplemental information because they are used by our management to measure operating performance, including in presentations to our management, and as a basis for strategic planning and forecasting, and (ii) they represent measures that we believe are widely used by certain investors, securities analysts and other parties as supplemental measures of operating and financial performance. These financial measures may enhance management's and investors' understanding of our financial performance by excluding items that are not classified as part of its ongoing operations.

However, the alternative performance measures as used in this Prospectus are not defined by IFRS or any other internationally accepted accounting principles, and investors should not consider such items as an alternative to the historical financial results or other indicators of our performance, assets or liabilities based on IFRS measures. In particular, they should not be considered as alternatives to our net profit as an indicator of our profitability, or as alternatives to cash flows from operating activities as an indicator of our financial strength. The alternative performance measures, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our alternative performance measures are calculated. Even though the alternative performance measures are used by our management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools and investors should not consider them in isolation, or as substitutes for, the analysis of our results of operations, financial position and cash flows as reported under IFRS.

We define "Adjusted Revenue", "Adjusted EBITDA", "Adjusted EBIT", "Adjusted EBT" and "Adjusted Net Profit" as EBITDA, EBIT, EBT and Net Profit, respectively, adjusted for income from initial consolidation ("**Badwill**"), depreciation and amortization and deferred taxes in connection with business combinations and the contributions to our Revenue, EBITDA, EBIT, EBT and Net Profit, respectively, from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward (each of these metrics, an "**Alternative Performance Measure**") We believe Adjusted EBITDA, Adjusted EBIT, Adjusted EBT and Adjusted Net Profit are meaningful to enhance an understanding of our financial performance and that these measures are frequently used as a measure of financial performance and to compare our performance with the performance of similar companies.

We have defined the Alternative Performance Measures as follows:

- "Adjusted Revenue" represents the sum of revenue as shown in our Audited Consolidated Financial Statements minus the revenue contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.
- "Adjusted EBITDA" represents our EBITDA (*i.e.*, profit for the period before financial income, financial costs, income taxes, other taxes, depreciation and amortization) adjusted for income from initial consolidation, which is due to the "Badwill" realized in connection with acquisitions, and minus the EBITDA contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.
- "Adjusted EBITDA margin" is defined as Adjusted EBITDA divided by Adjusted Revenue.
- "Adjusted EBIT" is based on our Adjusted EBITDA minus depreciation and amortization as stated in the Audited Consolidated Financial Statements and adjusted for depreciation and amortization on assets capitalized in connection with purchase price allocations.
- "Adjusted EBIT margin" is defined as Adjusted EBIT divided by Adjusted Revenue.
- "Adjusted EBT" is based on our Adjusted EBIT minus financial income and financial costs as stated in the Audited Consolidated Financial Statements.
- "Adjusted Net Profit" is based on our Adjusted EBT minus income taxes and other taxes as stated in the Audited Consolidated Financial Statements and adjusted for deferred taxes in connection with purchase price allocations and for taxes attributable to the offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.
- "Net Debt" is calculated by subtracting the Company's total cash and cash equivalents from its total short-term and long-term liabilities to banks and leasing liabilities, each item as shown in the Audited Consolidated Financial Statements.
- "Equity ratio" is calculated by dividing total equity by total assets, each item as shown in the Audited Consolidated Financial Statements.

8.4.1.1 Adjusted Revenue

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Revenue (audited).....	291,791	277,013	179,331	105,873
Adjustments relating to the offshore business ^(*)	(563)	(7,526)	(237)	-
Adjusted Revenue	291,228	269,487	179,094	-

(*) Adjusted for the revenue contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.

8.4.1.2 Adjusted EBITDA and Adjusted EBITDA Margin

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
EBITDA (audited).....	58,822	56,190	41,807	21,079
Adjustments for PPA effects ⁽¹⁾	-	(5,143)	(5,143)	(1,162)
Adjustments relating to the offshore business ⁽²⁾	(252)	(1,059)	(35)	-
Adjusted EBITDA	58,570	49,988	36,629	19,917
Adjusted EBITDA Margin (in %) ⁽³⁾	20.1	18.5	20.4	18.8

(1) Adjusted for income from initial consolidation (2019: EUR 5,143 thousand, which is due to the "Badwill" realized in connection with the 2019 Acquisition; 2018: EUR 1,162 thousand, which is due to the "Badwill" realized in connection with the acquisition of EAS Einhaus Anlagenservice GmbH, Geeste).

(2) Adjusted for the EBITDA contributions from offshore operations conducted by Bohlen & Doyen.

(3) Defined as Adjusted EBITDA divided by Adjusted Revenue as shown in this table above.

8.4.1.3 Adjusted EBIT and Adjusted EBIT Margin

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Adjusted EBITDA.....	58,570	49,988	36,629	19,917
Depreciation and amortization (audited).....	(11,354)	(10,829)	(7,976)	(7,428)
Adjustments for PPA effects ⁽¹⁾	177	341	245	702
Adjusted EBIT	47,394	39,500	28,898	13,191
Adjusted EBIT Margin (in %) ⁽²⁾	16.3	14.7	16.1	12.5

(1) Adjusted for depreciation and amortization on assets capitalized in connection with purchase price allocations.

(2) Defined as Adjusted EBIT divided by Adjusted Revenue as shown in the table above.

8.4.1.4 Adjusted EBT and Adjusted Net Profit

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Adjusted EBIT	47,394	39,500	28,898	13,191
Financial income (audited)	115	119	119	98
Financial costs (audited)	(1,005)	(932)	(853)	(1,162)
Net profits attributable to non-controlling interests	(3,853)	-	-	-
Adjusted EBT	42,651	38,687	28,164	12,127
Income taxes (audited)	(11,872)	(7,717)	(4,539)	(1,973)
Other taxes (audited)	(290)	(280)	(173)	(168)
Adjustments for PPA effects on taxes ⁽¹⁾	(41)	(66)	(69)	(201)
Adjustments relating to the offshore business ⁽²⁾	73	307	10	-
Adjusted Net Profit	30,521	30,931	23,393	9,785

(1) Adjusted for deferred taxes in connection with purchase price allocations.

(2) Adjusted for the offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward.

8.4.1.5 Net Debt and Equity Ratio

(in EUR thousand, except as otherwise noted)	As of and for the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Net Debt (-) / Net Cash (+) ⁽¹⁾	27,851	31,828	31,828	(5,884)
Net Debt / Adjusted EBITDA ratio ⁽²⁾	-	-	-	0.3
Equity ratio (in %) (audited) ⁽³⁾	36.0%	22.6%	22.6%	27.3%

(1) Calculated by subtracting the Company's total short-term and long-term liabilities to banks and leasing liabilities from its total cash and cash equivalents as shown in the consolidated statement of financial position. A negative amount indicates a net debt position, while a positive amount indicates a net cash position.

(2) Calculated by dividing the Company's Net Debt by its Adjusted EBITDA (*see the table above*).

(3) Defined as the Company's total equity divided by its total assets, each as shown in the consolidated statement of financial position (*see the table above*).

8.4.2 Other Operating Metrics

The following table shows certain other operating metrics of the Vorwerk Group for the periods and as of the dates indicated. We believe that these metrics are important performance indicators for the management of the Vorwerk Group. In particular, order intake and order backlog are important metrics for us to estimate future revenue and work load. The table below shows our order intake, order backlog and the average number of employees as of the dates and for the periods presented.

	As of and for the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
	(unaudited, except as otherwise noted)			
Order intake (in EUR thousand) ⁽¹⁾	312,524	292,781	290,703	124,176
Order backlog as of December 31 (in EUR thousand) ⁽²⁾	306,508	285,775	285,775	174,403
Average number of employees (audited)	1,284	1,260	862	715
Adjusted Revenue per employee (in EUR thousand) ⁽³⁾	227	214	208	148

(1) "Order intake" is defined as the annually compounded volume of legally binding orders as well as the determinable revenue from framework agreements based on historical data. "Order intake" in 2019 (actual) includes the order backlog of Bohlen & Doyen at the date of first time consolidation (December 1, 2019) amounting to EUR 54.1 million. The order intake for the fiscal year 2019 (Like-for-Like) excludes the order backlog of Bohlen & Doyen as of January 1, 2019 (the date of the notional first time consolidation of Bohlen & Doyen underlying the Like-for-Like presentation), which amounted to EUR 95.6 million.

(2) "Order backlog" is defined as the remaining projected revenue under binding agreements for individual projects with customers not yet recognized as revenue of such orders as well as the determinable revenue from framework agreements based on historical data. We use

order backlog as an important alternative performance measure to estimate future revenue and work load. "Order backlog" in 2019 includes the order backlog of Bohlen & Doyen in the fiscal year ended December 31, 2019 amounting to EUR 55.6 million. The order backlog as of December 31, 2020 includes EUR 224,324 thousand attributable to the Natural Gas segment, EUR 38,344 thousand attributable to the Electricity segment, EUR 21,362 thousand attributable to the Clean Hydrogen segment and EUR 22,478 thousand attributable to the Adjacent Opportunities segment. The order backlog as of December 31, 2019 includes EUR 228,555 thousand (December 31, 2018: EUR 156,520 thousand) attributable to the Natural Gas segment, EUR 34,340 thousand attributable to the Electricity segment (December 31, 2018: EUR 2,623 thousand), EUR 6,763 thousand attributable to the Clean Hydrogen segment (December 31, 2018: EUR 1 thousand) and EUR 16,117 thousand attributable to the Adjacent Opportunities segment (December 31, 2018: EUR 15,258 thousand).

- (3) Calculated based on the Adjusted Revenue as shown in the table in section 8.4.1.1 and the average number of employees for the respective periods as indicated in this table.

8.5. Key Items of our Results of Operations

8.5.1 Revenue

Revenue principally comprises the sale of services and goods to our customers.

Revenue is recognized when it is probable that we will obtain the economic benefits and the amount of the revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or to be received less discounts and rebates granted and value-added tax or other levies. Revenue from the sale of goods and products is recognized when the significant risks and rewards of ownership of the goods and products sold have been transferred to the buyer. This generally takes place when the goods and products are delivered or accepted by the end customer. Revenue from service transactions is recognized only when it is sufficiently probable that the economic benefits associated with the transaction will flow to us. It is recognized in the accounting period in which the services in question are performed. Revenue of the Vorwerk Group from goods and services supplied to or rendered for joint ventures are recognized under revenue.

Generally, we account for construction contracts in accordance with IFRS 15 "*Revenue from Contracts with Customers*" by recognizing the revenue over a period using the output-oriented method. Under this method, the contract revenue associated with this construction contract is recognized by reference to the degree of completion of the contract activity at the balance sheet date. The degree of completion is based on monthly construction project progress reports. The contract asset represents the Vorwerk Group's right to consideration from construction contracts with customers. If the value of a contract asset of a construction contract exceeds the payments received for it, then this is shown on the assets side under contract assets. If the revenue of a construction contract is recognized over a period of time, the amounts invoiced do not always correlate directly to the revenue recognized. Based upon the terms of the specific contract, billings may be in excess of the revenue recognized, in which case the amounts are reported as a contract liability in the statement of financial position. Changes to contracts, additional amounts invoiced and incentive payments are recognized to the extent that a binding agreement has been concluded with the customer. Contract costs are recognized in the period in which they are incurred. If it is likely that the contract costs will exceed the recoverable amount, a provision for onerous contracts is recognized in accordance with IAS 37. This is analyzed on a case-by-case basis to recognize the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognized up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognized under short-term provisions. Nevertheless, the actual revenue generated under the contracts and the associated actual sales revenue and profits may differ from previous estimates and expectations and the IFRS methods on which they are based. In the ordinary course of our business we also enter into contracts which do not meet the criteria for recognizing revenue over time.

8.5.2 Operating performance

Operating performance comprises revenue and the increase or decrease in finished goods and work in progress.

8.5.3 Total performance

Total performance includes operating performance, income from initial consolidation (badwill), income from joint ventures and other operating income, which essentially consists of income from offsetting remuneration in kind, income from the reversal of provisions, income from insurance compensation and others.

8.5.4 Cost of materials

Cost of materials principally comprises the cost of purchased services, including subcontractors and temporary workers and trade goods as well as the cost of raw materials and supplies. In addition, cost of materials comprises freight costs, packaging costs, guarantee expenses and energy costs.

8.5.5 Staff costs

Staff costs consist of fixed and variable salaries and wages for our staff and social security contributions as well as other personnel expenses.

8.5.6 Other operating expenses

Other operating expenses primarily consist of maintenance expenses, rental and leasing expenses for short-term leases, travel and vehicle costs and insurance premiums.

8.5.7 Earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA represents our profit for the period before depreciation and amortization, net finance costs, income taxes and other taxes.

8.5.8 Depreciation and Amortization

Depreciation and amortization comprises depreciation on property, plant and equipment and amortization of intangible assets.

8.5.9 Earnings before interest and taxes (EBIT)

EBIT represents our profit for the period before net finance costs, income taxes and other taxes.

8.5.10 Net finance costs

Net finance costs principally comprise other interest and similar income and interest and similar expenses, including the net profits attributable to non-controlling interests of Friedrich Vorwerk SE & Co. KG.

8.5.11 Earnings before taxes (EBT)

EBT represents our profit for the period before income taxes and other taxes.

8.5.12 Income Taxes

Income taxes comprises current and deferred taxes.

8.5.13 Other Taxes

Other taxes comprises property and vehicle taxes.

8.5.14 Net Profit

Net profit represents our profit or loss for the period after income taxes and other taxes.

8.5.15 Results of operations

The following tables provide financial information from the Audited Consolidated Financial Statements for the periods indicated for select items, including revenue, EBITDA, EBIT and EBT for the fiscal years ended December 31, 2020, December 31, 2019, December 31, 2018 as well as Like-for-Like Financial Information for the fiscal year ended December 31, 2019.

(in EUR thousand)	For the fiscal year ended December 31,			
	(Like-for-Like)			
	2020	2019	2019	2018
		(audited)		
Revenue	291,791	277,013	179,331	105,873
Increase (+) / decrease (-) in finished goods and work in progress	8	557	557	-84
Operating performance⁽¹⁾	291,799	277,569	179,887	105,789
Income from initial consolidation (badwill)	-	5,143	5,143	1,162
Income from joint ventures	10,551	5,678	4,185	3,895
Other operating Income	3,571	2,098	1,510	1,101
Total performance⁽²⁾	305,921	290,488	190,725	111,946
Cost of raw materials and supplies	(25,213)	(24,535)	(13,320)	(8,034)
Cost of purchased services	(103,262)	(97,347)	(69,157)	(30,936)
Cost of materials	(128,474)	(121,882)	(82,476)	(38,970)
Wages and salaries	(70,030)	(63,068)	(40,531)	(32,996)
Social security and pension costs	(19,416)	(17,788)	(11,060)	(8,888)
Staff costs	(89,446)	(80,856)	(51,591)	(41,884)
Other operating expenses	(29,179)	(31,560)	(14,851)	(10,014)
EBITDA	58,822	56,190	41,807	21,079
Depreciation and amortization	(11,354)	(10,829)	(7,976)	(7,428)
EBIT	47,486	45,361	33,831	13,651
Other interest and similar income	115	119	119	98
Interest and similar expenses ⁽³⁾	(4,862)	(932)	(853)	(1,162)
Net finance costs	(4,747)	(813)	(734)	(1,064)
Profit before taxes (EBT)	(42,721)	44,547	33,097	12,586
Income taxes	(11,872)	(7,717)	(4,539)	(1,973)
Other taxes	(290)	(280)	(173)	(168)
Net Profit	30,559	36,550	28,385	10,446
Net profit attributable to owners of the Company	30,559	36,550	28,385	10,446
Net profit attributable to non-controlling interests	0	0	0	0

- (1) "Operating performance" represents the sum of revenue and increase or decrease in finished goods and work in progress.
- (2) "Total performance" represents the sum of Operating performance, income from initial consolidation, income from joint ventures and other operating income.
- (3) Includes net profits attributable to non-controlling interests (*Kommanditisten*) of Vorwerk KG in the amount of EUR 3,857 thousand, recorded under financial costs as such non-controlling interests are treated as liabilities. These arose for the first time in the fiscal year 2020 as a result of the consolidation of Vorwerk KG within Friedrich Vorwerk Group SE's consolidated financial statements.

Segment reporting was applied for the first time in connection with the preparation of Audited Consolidated Financial Statements 2020. Therefore, no segment financial information for the fiscal year ended December 31, 2018 is available. The following table shows financial information from the consolidated income statement by segment for the fiscal years ended December 31, 2020 and 2019.

(in EUR thousand)	For the fiscal year ended December 31,		
	(Like-for-Like)		
	2020	2019 ⁽¹⁾	2019
	(audited, except as otherwise noted)		
Revenue			
Natural Gas segment	215,795	209,839	144,572
Electricity segment	36,335	29,771	2,977
Clean Hydrogen segment	2,303	11	11
Adjacent Opportunities segment	37,357	37,392	31,771
Total Group Revenue	291,791	277,013	179,331
EBIT			
Natural Gas segment	34,756	28,416	21,735
Electricity segment	7,728	4,841	1,019
Clean Hydrogen segment	305	1	1
Adjacent Opportunities segment	4,857	7,326	6,203
Reconciliation ⁽²⁾	(177)	4,776	4,872
Total Group EBIT	47,468	45,361	33,831

- (1) Unaudited.

(2) Reconciliation comprises income from initial consolidation and depreciation of assets capitalized as part of purchase price allocations.

8.5.16 Comparison of results for the fiscal years ended December 31, 2020 and 2019

8.5.16.1 Revenue

Revenue for the fiscal year ended December 31, 2020 was EUR 291,791 thousand, a EUR 112,460 thousand, or 62.7%, increase compared to EUR 179,331 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

Revenue in our Natural Gas segment for the fiscal year ended December 31, 2020 was EUR 215,795 thousand, a EUR 71,223 thousand, or 49.2%, increase compared to EUR 144,572 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

Revenue in our Electricity segment for the fiscal year ended December 31, 2020 was EUR 36,335 thousand, a EUR 33,353 thousand increase compared to EUR 2,977 thousand for the fiscal year ended December 31, 2019. The increase was primarily due to the Bohlen & Doyen acquisition.

Revenue in our Clean Hydrogen segment for the fiscal year ended December 31, 2020 was EUR 2,303 thousand, a EUR 2,292 thousand increase compared to EUR 11 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the services rendered for the first section of the "Get H2 Nucleus" project.

The Adjacent Opportunities segment accounted for 11.3% of the Total Group revenue and increased from EUR 31,771 thousand in the fiscal year ended December 31, 2019 by 17.5% to EUR 37,357 for the fiscal year ended December 31, 2019 largely due to the Bohlen & Doyen acquisition.

The share of revenue shifted slightly from the Natural Gas segment to the Electricity segment as a result of expertise and projects from Bohlen & Doyen in this segment.

8.5.16.2 Increase (+) / decrease (-) in finished goods and work in progress

Increase (+) / decrease (-) in finished goods and work in progress for the fiscal year ended December 31, 2020 was EUR 8 thousand, a EUR 549 thousand, or 98.6%, decrease compared to EUR 557 thousand for the fiscal year ended December 31, 2019.

8.5.16.3 Operating performance

Operating performance for the fiscal year ended December 31, 2020 was EUR 291,236 thousand, a EUR 111,349 thousand, or 61.9%, increase compared to EUR 179,887 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the increase in revenue.

8.5.16.4 Income from initial consolidation (badwill)

Income from initial consolidation (badwill) for the fiscal year ended December 31, 2020 was EUR 0 thousand, a EUR 5,143 thousand, or 100%, decrease compared to EUR 5,143 thousand for the fiscal year ended December 31, 2019. The decrease was a result of the fact that no business combination was executed in the fiscal year ended December 31, 2020, which led to the incurrence of badwill.

8.5.16.5 Income from joint ventures

Income from joint ventures for the fiscal year ended December 31, 2020 was EUR 10,551 thousand, a EUR 6,366 thousand, or 152.1%, increase compared to EUR 4,185 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of higher earnings from our joint ventures, especially in the field of energy grids.

8.5.16.6 Other operating income

Other operating income for the fiscal year ended December 31, 2020 was EUR 3,570 thousand, a EUR 2,060 thousand, or 136.4%, increase compared to EUR 1,510 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.7 Total performance

Total performance for the fiscal year ended December 31, 2020 was EUR 305,921 thousand, a EUR 115,196 thousand, or 60.4%, increase compared to EUR 190,725 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition and the aforementioned developments.

8.5.16.8 Cost of materials

Cost of materials for the fiscal year ended December 31, 2020 was EUR 128,474 thousand, a EUR 45,998 thousand, or 55.8%, increase compared to EUR 82,476 thousand for the fiscal year ended December 31, 2019. The ratio of cost of materials to total revenue decreased from 46.0% for the fiscal year ended December 31, 2019 to 44.0% for the year ended December 31, 2020, which was principally a result of the changed cost structure following the Bohlen & Doyen acquisition.

8.5.16.8.1 *Cost of raw materials and supplies*

Cost of raw materials and supplies for the fiscal year ended December 31, 2020 was EUR 25,213 thousand, a EUR 11,893 thousand, or 89.3%, increase compared to EUR 13,320 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.8.2 *Cost of purchased services*

Cost of purchased services for the fiscal year ended December 31, 2020 was EUR 103,262 thousand, a EUR 34,105 thousand, or 49.3%, increase compared to EUR 69,157 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.9 Staff costs

Staff costs for the year ended December 31, 2020 was EUR 89,446 thousand, a EUR 37,855 thousand, or 73.4%, increase compared to EUR 51,591 thousand for the fiscal year ended December 31, 2019. The ratio of staff costs to total revenue increased from 28.8% for the fiscal year ended December 31, 2019 to 30.7% for the year ended December 31, 2020, which was principally a result of the changed cost structure following the Bohlen & Doyen acquisition.

8.5.16.9.1 *Wages and salaries*

Wages and salaries for the fiscal year ended December 31, 2020 was EUR 70,030 thousand, a EUR 29,499 thousand, or 72.3%, increase compared to EUR 40,531 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.9.2 *Social security and pension costs*

Social security and pension costs for the fiscal year ended December 31, 2020 was EUR 19,416 thousand, a EUR 8,356 thousand, or 75.6%, increase compared to EUR 11,060 thousand for the fiscal year ended December 31, 2019. The increase was principally related to the increase in wages and salaries which in turn was partly a result of hiring additional personnel.

8.5.16.10 Other operating expenses

Other operating expenses for the fiscal year ended December 31, 2020 was EUR 29,179 thousand, a EUR 14,328 thousand, or 96.5%, increase compared to EUR 14,851 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition and, to a lesser extent, the increase in revenue.

8.5.16.11 Earnings before interest, taxes, depreciation and amortization (EBITDA)

EBITDA for the fiscal year ended December 31, 2020 was EUR 58,822 thousand, a EUR 17,015 thousand, or 40.7%, increase compared to EUR 41,807 thousand for the year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition. The decrease in other operating income had the opposite effect, as the figure for the fiscal year ended December 31, 2019 included goodwill from the Bohlen & Doyen acquisition in the amount of EUR 5,143 thousand.

8.5.16.12 Depreciation and amortization

Depreciation and amortization for the fiscal year ended December 31, 2020 was EUR 11,354 thousand, a EUR 3,378 thousand, or 42.4%, increase compared to EUR 7,976 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.13 Earnings before interest and taxes (EBIT)

EBIT for the fiscal year ended December 31, 2020 was EUR 47,468 thousand, a EUR 13,637 thousand, or 40.3%, increase compared to EUR 33,831 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments, in particular driven by the Bohlen & Doyen acquisition.

Our Natural Gas Segment contributed EUR 34,756 thousand of EBIT for the fiscal year ended December 31, 2020, a 59.9%, increase compared to EUR 21,735 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

EBIT in our Electricity Segment for the fiscal year ended December 31, 2020 was EUR 7,728 thousand, a EUR 6,709 thousand increase compared to EUR 1,019 thousand for the fiscal year ended December 31, 2019. The increase was primarily due to the Bohlen & Doyen acquisition.

Our Clean Hydrogen Segment contributed EUR 305 thousand of EBIT for the fiscal year ended December 31, 2020 increase compared to EUR 1 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the increase in revenue.

The Adjacent Opportunities Segment accounted for 11.3% of the Total Group EBIT and decreased from EUR 6,203 thousand in the fiscal year ended December 31, 2019 by 21.6% to EUR 4,857 for the fiscal year ended December 31, 2020 largely due to the Bohlen & Doyen acquisition.

The composition of EBIT changed mainly as a result of the different breakdown of revenue and changes in EBIT margins, particularly in the segments Electricity and Adjacent Opportunities.

8.5.16.14 Net finance costs

Net finance costs income for the fiscal year ended December 31, 2020 was EUR 4,747 thousand, a EUR 4,013 thousand increase compared to EUR 734 thousand for the fiscal year ended December 31, 2019.

8.5.16.14.1 *Other interest and similar income*

Other interest and similar income for the fiscal year ended December 31, 2020 was EUR 115 thousand, a EUR 4 thousand, or 3.3%, decrease compared to EUR 119 thousand for the fiscal year ended December 31, 2019.

8.5.16.14.2 Interest and similar expenses

Interest and similar expenses for the fiscal year ended December 31, 2020 was EUR 4,862 thousand, a EUR 4,009 thousand increase compared to EUR 853 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the net profits attributable to non-controlling interests (*Kommanditisten*) of Friedrich Vorwerk SE & Co. KG in the amount of EUR 3,857 thousand, recorded under financial costs as such non-controlling interests are treated as liabilities.

8.5.16.15 Profit before taxes (EBT)

EBT for the fiscal year ended December 31, 2020 was EUR 42,721 thousand, a EUR 9,625 thousand, or 29.0%, increase compared to EUR 33,097 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments.

8.5.16.16 Income taxes

Income taxes for the fiscal year ended December 31, 2020 was EUR 11,872 thousand, a EUR 7,333 thousand, or 161.6%, increase compared to EUR 4,539 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the higher profit before taxes and of the change in the Vorwerk Group structure, as the corporate income tax of Friedrich Vorwerk SE & Co. KG is incurred at the level of the shareholders, which are included in the consolidation scope for the first time for the fiscal year ended December 31, 2020.

8.5.16.17 Other taxes

Other taxes for the fiscal year ended December 31, 2020 was EUR 290 thousand, a EUR 117 thousand, or 67.3%, increase compared to EUR 173 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the Bohlen & Doyen acquisition.

8.5.16.18 Net profit

Net profit for the fiscal year ended December 31, 2020 was EUR 30,559 thousand, a EUR 2,174 thousand, or 7.6%, increase compared to EUR 28,385 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments, driven by the increase in demand for our critical on-shore energy infrastructure solutions.

8.5.17 Like-for-Like comparison of results for the fiscal years ended December 31, 2020 and 2019

8.5.17.1 Revenue

Revenue for the fiscal year ended December 31, 2020 was EUR 291,791 thousand, a EUR 14,778 thousand, or 5.3%, increase compared to EUR 277,013 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the increase in demand of our critical on-shore energy infrastructure solutions in consequence of the clean energy transition.

Revenue in our Natural Gas segment for the fiscal year ended December 31, 2020 was EUR 215,795 thousand, a EUR 5,956 thousand, or 2.8%, increase compared to EUR 209,839 thousand for the fiscal year ended December 31, 2019.

Revenue in our Electricity segment for the fiscal year ended December 31, 2020 was EUR 36,335 thousand, a EUR 6,564 thousand, or 22.0%, increase compared to EUR 29,771 thousand for the fiscal year ended December 31, 2019. The increase was primarily due to increased demand for our solutions for grid integration of renewables.

Revenue in our Clean Hydrogen segment for the fiscal year ended December 31, 2020 was EUR 2,303 thousand, a EUR 2,292 thousand, or 20,836.3%, increase compared to EUR 11 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the services rendered for the first section of the "Get H2 Nucleus" project.

The Adjacent Opportunities segment accounted for 11.3% of the Total Group revenue and decreased from EUR 37,392 thousand in the fiscal year ended December 31, 2019 by 0.1% to EUR 37,357 for the fiscal year ended December 31, 2020.

8.5.17.2 Increase (+) / decrease (-) in finished goods and work in progress

Increase (+) / decrease (-) in finished goods and work in progress for the fiscal year ended December 31, 2020 was EUR 8 thousand, a EUR 549 thousand, or 98.6%, decrease compared to EUR 557 thousand for the fiscal year ended December 31, 2019.

8.5.17.3 Operating performance

Operating performance for the fiscal year ended December 31, 2020 was EUR 291,799 thousand, a EUR 14,230 thousand, or 5.1%, increase compared to EUR 277,569 thousand for the fiscal year ended December 31, 2019. The increase was a result of the increase in revenue.

8.5.17.4 Income from initial consolidation (badwill)

Income from initial consolidation (badwill) for the fiscal year ended December 31, 2020 was EUR 0 thousand, a EUR 5,143 thousand, or 100%, decrease compared to EUR 5,143 thousand for the fiscal year ended December 31, 2019. The decrease was a result of the fact that no business combination was executed in the fiscal year ended December 31, 2020, which led to the incurrence of badwill.

8.5.17.5 Income from joint ventures

Income from joint ventures for the fiscal year ended December 31, 2020 was EUR 10,551 thousand, a EUR 4,874 thousand, or 85.8%, increase compared to EUR 5,678 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of higher earnings from our joint ventures, especially in the field of energy grids.

8.5.17.6 Other operating income

Other operating income for the fiscal year ended December 31, 2020 was EUR 3,571 thousand, a EUR 1,473 thousand, or 70.2%, increase compared to EUR 2,098 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of higher reversals of provisions, higher insurance compensations and miscellaneous other effects.

8.5.17.7 Total performance

Total performance for the fiscal year ended December 31, 2020 was EUR 305,921 thousand, a EUR 15,433 thousand, or 5.3%, increase compared to EUR 290,488 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the increase in revenue.

8.5.17.8 Cost of materials

Cost of materials for the fiscal year ended December 31, 2020 was EUR 128,474 thousand, a EUR 6,593 thousand, or 5.4%, increase compared to EUR 121,882 thousand for the fiscal year ended December 31, 2019. The ratio of cost of materials to total revenue was 44.0% for both the fiscal year ended December 31, 2019 and the fiscal year ended December 31, 2020.

8.5.17.8.1 *Cost of raw materials and supplies*

Cost of raw materials and supplies for the fiscal year ended December 31, 2020 was EUR 25,213 thousand, a EUR 677 thousand, or 2.8%, increase compared to EUR 24,535 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the need for more raw materials and supplies due to the increase in revenue.

8.5.17.8.2 *Cost of purchased services*

Cost of purchased services for the fiscal year ended December 31, 2020 was EUR 103,262 thousand, a EUR 5,915 thousand, or 6.1%, increase compared to EUR 97,347 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the need for more purchased services due to the increase in revenue.

8.5.17.9 *Staff costs*

Staff costs for the fiscal year ended December 31, 2020 was EUR 89,446 thousand, a EUR 8,589 thousand, or 10.6%, increase compared to EUR 80,856 thousand for the fiscal year ended December 31, 2019. The ratio of staff costs to total revenue increased slightly from 29.2% for the fiscal year ended December 31, 2019 to 30.7% for the year ended December 31, 2020.

8.5.17.9.1 *Wages and salaries*

Wages and salaries for the fiscal year ended December 31, 2020 was EUR 70,030 thousand, a EUR 6,962 thousand, or 11.0%, increase compared to EUR 63,068 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the hiring of additional personnel during 2020 to further our internal growth as well as salary increases for our employees.

8.5.17.9.2 *Social security and pension costs*

Social security and pension costs for the fiscal year ended December 31, 2020 was EUR 19,416 thousand, a EUR 1,628 thousand, or 9.2%, increase compared to EUR 17,788 thousand for the fiscal year ended December 31, 2019. The increase was principally related to the increase in wages and salaries which in turn was partly a result of hiring additional personnel.

8.5.17.10 *Other operating expenses*

Other operating expenses for the fiscal year ended December 31, 2020 was EUR 29,179 thousand, a EUR 2,381 thousand, or 7.5%, decrease compared to EUR 31,560 thousand for the fiscal year ended December 31, 2019. The decrease was principally a result of economies of scale and non-recurring legal and consulting costs as well as miscellaneous external services incurred by Bohlen & Doyen in the fiscal year ended December 31, 2019.

8.5.17.11 *Earnings before interest, taxes, depreciation and amortization (EBITDA)*

EBITDA for the fiscal year ended December 31, 2020 was EUR 58,822 thousand, a EUR 2,632 thousand, or 4.7%, increase compared to EUR 56,190 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments, driven by the increase in demand for our critical on-shore energy infrastructure solutions, which was partially offset by the badwill included in the fiscal year ended December 31, 2019.

8.5.17.12 *Depreciation and amortization*

Depreciation and amortization for the fiscal year ended December 31, 2020 was EUR 11,354 thousand, a EUR 524 thousand, or 4.8%, increase compared to EUR 10,829 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of a higher level of property, plant and equipment.

8.5.17.13 *Earnings before interest and taxes (EBIT)*

EBIT for the fiscal year ended December 31, 2020 was EUR 47,486 thousand, a EUR 2,125 thousand, or 4.6%, increase compared to EUR 45,361 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments, driven by the increase in demand for our critical on-shore energy infrastructure solutions.

Our Natural Gas Segment contributed EUR 34,756 thousand of EBIT for the fiscal year ended December 31, 2020, a EUR 6,340 thousand, or 22.3%, increase compared to EUR 28,416 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of more profitable projects in the fiscal year ended December 31, 2020.

EBIT in our Electricity Segment for the fiscal year ended December 31, 2020 was EUR 7,728 thousand, a EUR 2,887 thousand, or 59.6%, increase compared to EUR 4,841 thousand for the fiscal year ended December 31, 2019. The increase was primarily due to the increase in revenue in this segment.

Our Clean Hydrogen Segment contributed EUR 305 thousand of EBIT for the fiscal year ended December 31, 2020, a 30,400%, increase compared to EUR 1 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the increase in revenue in this segment.

The Adjacent Opportunities Segment accounted for 11.3% of the Total Group EBIT and decreased from EUR 7,326 thousand in the fiscal year ended December 31, 2019 by EUR 2,469 thousand, or 33.7% to EUR 4,857 thousand for the fiscal year ended December 31, 2020 largely due to less profitable projects in the fiscal year ended December 31, 2020.

8.5.17.14 Net finance costs

Net finance costs income for the fiscal year ended December 31, 2020 was EUR 4,747 thousand, a EUR 3,934 thousand, or 483.8%, increase compared to EUR 813 thousand for the fiscal year ended December 31, 2019.

8.5.17.14.1 Other interest and similar income

Other interest and similar income for the fiscal year ended December 31, 2020 was EUR 115 thousand, a EUR 4 thousand, or 3.3%, decrease compared to EUR 119 thousand for the fiscal year ended December 31, 2019.

8.5.17.14.2 Interest and similar expenses

Interest and similar expenses for the fiscal year ended December 31, 2020 was EUR 4,862 thousand, a EUR 3,930 thousand, or 421.6%, increase compared to EUR 932 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the net profits attributable to non-controlling interests (*Kommanditisten*) of Friedrich Vorwerk SE & Co. KG in the amount of EUR 3,857 thousand, recorded under financial costs as such non-controlling interests are treated as liabilities.

8.5.17.15 Profit before taxes (EBT)

EBT for the fiscal year ended December 31, 2020 was EUR 42,721 thousand, a EUR 1,826 thousand, or 4.0%, decrease compared to EUR 44,547 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the aforementioned developments.

8.5.17.16 Income taxes

Income taxes for the fiscal year ended December 31, 2020 was EUR 11,872 thousand, a EUR 4,155 thousand, or 53.8%, increase compared to EUR 7,717 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of the change in the Vorwerk Group structure, as the corporate income tax of Friedrich Vorwerk SE & Co. KG is incurred at the level of the shareholders, which are included in the consolidation scope for the first time for the fiscal year ended December 31, 2020.

8.5.17.17 Other taxes

Other taxes for the fiscal year ended December 31, 2020 was EUR 290 thousand, a EUR 10 thousand, or 3.5%, increase compared to EUR 280 thousand for the fiscal year ended December 31, 2019. The increase was principally a result of higher vehicle taxes.

8.5.17.18 Net profit

Net profit for the fiscal year ended December 31, 2020 was EUR 30,559 thousand, a EUR 5,991 thousand, or 16.3%, decrease compared to EUR 36,550 thousand for the fiscal year ended December 31, 2019. The decrease was principally a result of the aforementioned developments, driven by the changes in the Group structure, which led to net profits attributable to non-controlling interests and higher income taxes, as well as the badwill, which was included in the fiscal year ended December, 2019.

8.5.18 Comparison of results for the fiscal years ended December 31, 2019 and 2018

8.5.18.1 Revenue

Revenue for the fiscal year ended December 31, 2019 was EUR 179,331 thousand, a EUR 73,459 thousand, or 69.4%, increase compared to EUR 105,872 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the rapid increase in demand for our critical on-shore energy infrastructure solutions as a consequence of the clean energy transition.

8.5.18.2 Increase (+) / decrease (-) in finished goods and work in progress

Increase (+) / decrease (-) in finished goods and work in progress for the fiscal year ended December 31, 2019 was an increase of EUR 557 thousand, a EUR 641 thousand increase compared to a decrease of EUR 84 thousand for the fiscal year ended December 31, 2018.

8.5.18.3 Operating performance

Operating performance for the fiscal year ended December 31, 2019 was EUR 179,887 thousand, a EUR 74,098 thousand, or 70.0%, increase compared to EUR 105,789 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the increase in revenue.

8.5.18.4 Income from initial consolidation (badwill)

Income from initial consolidation (badwill) for the fiscal year ended December 31, 2019 was EUR 5,143 thousand, a EUR 3,981 thousand, or 342.6%, increase compared to EUR 1,162 thousand for the fiscal year ended December 31, 2018. The increase was a result of the acquisition of Bohlen & Doyen.

8.5.18.5 Income from joint ventures

Income from joint ventures for the fiscal year ended December 31, 2019 was EUR 4,185 thousand, a EUR 290 thousand, or 7.4%, increase compared to EUR 3,895 thousand for the fiscal year ended December 31, 2018.

8.5.18.6 Other operating income

Other operating income for the fiscal year ended December 31, 2019 was EUR 1,510 thousand, a EUR 409 thousand, or 37.1%, increase compared to EUR 1,101 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of a higher income from the reversal of provisions relating to miscellaneous issues.

8.5.18.7 Total performance

Total performance for the fiscal year ended December 31, 2019 was EUR 190,725 thousand, a EUR 78,779 thousand, or 70.4%, increase compared to EUR 111,946 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the increase in revenue, driven by the increase in demand for our critical on-shore energy infrastructure solutions.

8.5.18.8 Cost of materials

Cost of materials for the fiscal year ended December 31, 2019 was EUR 82,476 thousand, a EUR 43,506 thousand, or 111.6%, increase compared to EUR 38,970 thousand for the fiscal year ended December 31, 2018. The ratio of

cost of materials to total revenue increased from 36.8% for the fiscal year ended December 31, 2018 to 46.0% for the fiscal year ended December 31, 2019, which was principally a result of a higher proportion of temporary workers and subcontractors.

8.5.18.8.1 *Cost of raw materials and supplies*

Cost of raw materials and supplies for the fiscal year ended December 31, 2019 was EUR 13,320 thousand, a EUR 5,286 thousand, or 65.8%, increase compared to EUR 8,034 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the need for more raw materials as a result of the rapid increase in demand of our critical on-shore energy infrastructure solutions.

8.5.18.8.2 *Cost of purchased services*

Cost of purchased services for the fiscal year ended December 31, 2019 was EUR 69,157 thousand, a EUR 38,221 thousand, or 123.5%, increase compared to EUR 30,936 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the need for more purchased services as a result of the rapid increase in demand of critical on-shore energy infrastructure solutions. The increase in purchased services also resulted from the consolidation of Bohlen & Doyen in December 2019 as well as the hiring of more temporary workers and subcontractors which were needed to process the strongly increased order intake.

8.5.18.9 *Staff costs*

Staff costs for the fiscal year ended December 31, 2019 was EUR 51,591 thousand, a EUR 9,707 thousand, or 23.2%, increase compared to EUR 41,884 thousand for the fiscal year ended December 31, 2018. The ratio of staff costs to total revenue decreased from 39.6% for the fiscal year ended December 31, 2018 to 28.7% for the fiscal year ended December 31, 2019, which was principally a result of the hiring of more temporary workers and subcontractors.

8.5.18.9.1 *Wages and salaries*

Wages and salaries for the fiscal year ended December 31, 2019 was EUR 40,531 thousand, a EUR 7,535 thousand, or 22.8%, increase compared to EUR 32,996 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the hiring of additional personnel during 2019 to further our internal growth as well as salary increases for our employees.

8.5.18.9.2 *Social security and pension costs*

Social security and pension costs for the fiscal year ended December 31, 2019 was EUR 11,060 thousand, a EUR 2,172 thousand, or 24.4%, increase compared to EUR 8,888 thousand for the fiscal year ended December 31, 2018. The increase was principally related to the increase in wages and salaries which in turn was partly a result of hiring additional personnel.

8.5.18.10 *Other operating expenses*

Other operating expenses for the fiscal year ended December 31, 2019 was EUR 14,851 thousand, a EUR 4,837 thousand, or 48.3%, increase compared to EUR 10,014 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of non-recurring legal and consulting costs in relation to the expansion of our business activities.

8.5.18.11 *Earnings before interest, taxes, depreciation and amortization (EBITDA)*

EBITDA for the fiscal year ended December 31, 2019 was EUR 41,807 thousand, a EUR 20,728 thousand, or 98.3%, increase compared to EUR 21,079 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the increase in demand for our critical on-shore energy infrastructure solutions and the other aforementioned developments.

8.5.18.12 Depreciation and amortization

Depreciation and amortization for the fiscal year ended December 31, 2019 was EUR 7,976 thousand, a EUR 548 thousand, or 7.4%, increase compared to EUR 7,428 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of a higher level of property, plant and equipment.

8.5.18.13 Earnings before interest and taxes (EBIT)

EBIT for the fiscal year ended December 31, 2019 was EUR 33,831 thousand, a EUR 20,180 thousand, or 147.8%, increase compared to EUR 13,651 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the aforementioned developments.

8.5.18.14 Net finance costs

Net finance costs for the fiscal year ended December 31, 2019 was EUR 734 thousand, a EUR 330 thousand, or 31.0%, decrease compared to EUR 1,064 thousand for the fiscal year ended December 31, 2018.

8.5.18.14.1 *Other interest and similar income*

Other interest and similar income for the fiscal year ended December 31, 2019 was EUR 119 thousand, a EUR 21 thousand, or 21.4%, increase compared to EUR 98 thousand for the fiscal year ended December 31, 2018. This increase was principally a result of higher interest income from loans granted to an associate.

8.5.18.14.2 *Interest and similar expenses*

Interest and similar expenses for the fiscal year ended December 31, 2019 was EUR 853 thousand, a EUR 309 thousand, or 26.6%, decrease compared to EUR 1,162 thousand for the fiscal year ended December 31, 2018. The decrease was principally a result of improved refinancing conditions.

8.5.18.15 Profit before taxes (EBT)

EBT for the fiscal year ended December 31, 2019 was EUR 33,097 thousand, a EUR 20,511 thousand, or 163.0%, increase compared to EUR 12,586 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the aforementioned developments.

8.5.18.16 Income taxes

Income taxes for the fiscal year ended December 31, 2019 was EUR 4,539 thousand, a EUR 2,566 thousand, or 130.0%, increase compared to EUR 1,973 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the increase in EBT.

8.5.18.17 Other taxes

Other taxes for the fiscal year ended December 31, 2019 was EUR 173 thousand, a EUR 5 thousand, or 3%, increase compared to EUR 168 thousand for the fiscal year ended December 31, 2018.

8.5.18.18 Net profit

Net profit for the fiscal year ended December 31, 2019 was EUR 28,385 thousand, a EUR 17,939 thousand, or 171.7%, increase compared to EUR 10,446 thousand for the fiscal year ended December 31, 2018. The increase was principally a result of the aforementioned developments.

8.6. Statement of Financial Position and Discussion of Selected Items thereof

The following table presents financial information from the statements of financial position as of the dates indicated.

(in EUR thousand)	As of December 31,		
	2020	2019 (audited)	2018
Non-current assets			
Concessions, industrial property rights and similar rights	265	174	292
Intangible Assets.....	265	174	292
Land and buildings including buildings on third-party land	17,566	18,237	15,149
Technical equipment and machinery.....	22,208	20,483	12,550
Other equipment, operating and office equipment.....	10,807	9,957	7,828
Advance payments and assets under development	9,238	136	76
Property, plant and equipment	59,820	48,814	35,603
Financial Assets.....	5,403	6,485	1,621
Deferred tax assets	6,521	5,797	521
Current assets			
Raw materials and supplies	4,374	3,201	3,341
Work in progress	565	557	0
Inventories.....	4,938	3,757	3,341
Trade receivables.....	20,931	24,568	22,252
Contract assets	27,821	20,272	10,377
Other current assets	5,959	5,238	3,989
Trade Receivables and other current assets	54,711	50,078	36,526
Cash in hand	50	52	31
Bank balances	45,204	52,310	8,814
Cash in hand, bank balances.....	45,254	52,361	8,845
Total assets.....	176,912	167,466	86,750
Equity and liabilities			
Equity			
Share capital	3,120	2,000	2,000
Reserves	6,739	11,556	11,556
Retained earnings and other reserves	53,744	24,325	10,105
Non-current liabilities			
Liabilities to banks	6,864	7,354	2,673
Liabilities to non-controlling interests	7,050	2,812	2,812
Liabilities from participation rights.....	10,213	9,963	10,063
Leasing liabilities.....	4,210	7,620	3,543
Pension provisions.....	427	417	368
Deferred tax liabilities.....	14,029	9,129	2,297
Current liabilities			
Liabilities to banks	1,466	1,320	5,657
Contract liabilities.....	17,819	21,510	4,023
Trade payables.....	2,019	6,083	5,697
Liabilities to non-controlling interests	4,924	15,878	9,452
Other liabilities	7,096	14,773	7,716
Leasing liabilities.....	4,863	4,239	2,855
Provisions for liabilities.....	15,729	20,454	3,449
Tax provisions	8,234	4,071	1,575
Other provisions	8,367	3,961	908
Total equity and liabilities.....	176,912	167,466	86,750

The following discussion highlights certain key financial position items set forth above.

8.6.1 Comparison of December 31, 2020 to December 31, 2019

8.6.1.1 Non-current assets

Non-current assets consist of intangible assets, property, plant and equipment, financial assets and deferred tax assets. Non-current assets as of December 31, 2020 were EUR 72,009 thousand, a EUR 10,739 thousand, or 17.5%,

increase compared to EUR 61,270 thousand as of December 31, 2019. The increase was principally a result of the acquisition of the premises in Wiesmoor and Geeste.

Intangible assets consist of concessions, industrial property rights and similar rights. Intangible assets as of December 31, 2020 were EUR 265 thousand, a EUR 91 thousand, or 52.5%, increase compared to EUR 174 thousand as of December 31, 2019. The increase was principally a result of investments in software and licenses.

Property, plant and equipment consists of land and buildings, including buildings on third party land, technical equipment and machinery, other equipment, operating and office equipment and advance payments and assets under development. Property, plant and equipment as of December 31, 2020 were EUR 59,820 thousand, a EUR 11,006 thousand, or 22.5%, increase compared to EUR 48,814 thousand as of December 31, 2019. The increase was principally a result of the acquisition of the premises in Wiesmoor and Geeste, which was partially offset by scheduled depreciation.

Financial assets consist of investments in joint ventures. Financial assets as of December 31, 2020 decreased to EUR 5,403 thousand from EUR 6,485 thousand as of December 31, 2019. The decrease was principally a result of dividends received from joint ventures, which were partially offset by the valuation according to the equity method.

Deferred tax assets as of December 31, 2020 were EUR 6,521 thousand, a EUR 724 thousand, or 12.5%, increase compared to EUR 5,797 thousand as of December 31, 2019. The increase was principally a result of the different valuations of assets and liabilities between the IFRS and the tax balance sheet.

8.6.1.2 Current assets

Current assets consists of inventories, trade receivables, contract assets and other current assets, cash in hand and bank balances. Current assets as of December 31, 2020 were EUR 104,903 thousand, a EUR 1,294 thousand, or 1.2% decrease compared to EUR 106,197 as of December 31, 2019. This decrease was principally a result of the lower level of cash and cash equivalents.

Inventories consists of raw materials and supplies and work in progress. Inventories as of December 31, 2020 were EUR 4,938 thousand, a EUR 1,181 thousand, or 31.4% increase compared to EUR 3,757 as of December 31, 2019. This increase was principally a result of the increased revenue.

Trade receivables and other current assets consist of trade receivables, contract assets and other current assets. Trade receivables and other current assets as of December 31, 2020 were EUR 54,711 thousand, a EUR 4,633 thousand, or 9.3% increase compared to EUR 50,078 thousand as of December 31, 2019. This increase was principally a result of higher contract assets driven by the increase in revenue.

Cash in hand and bank balances as of December 31, 2020 were EUR 45,254 thousand, a EUR 7,107 thousand, or 13.6% decrease compared to EUR 52,361 thousand as of December 31, 2019. This decrease was principally a result of the reduction in current liabilities.

8.6.1.3 Equity

Total equity as of December 31, 2020 was EUR 63,604 thousand, a EUR 25,724 thousand, or 67.9%, increase compared to EUR 37,880 thousand as of December 31, 2019. The increase was principally a result of the net income generated in the fiscal year.

8.6.1.4 Non-current liabilities

Non-current liabilities consist of liabilities to banks, liabilities to non-controlling interests, liabilities from participation rights, leasing liabilities, pension provisions and deferred tax liabilities. Non-current liabilities as of December 31, 2020 were EUR 41,793 thousand, a EUR 5,498 thousand, or 14.7%, increase compared to EUR 37,295 thousand as of December 31, 2019. The increase was principally a result of a higher level of deferred tax liabilities and the increase in liabilities to non-controlling interests in the course of the reorganization of the corporate structure.

8.6.1.5 Current liabilities

Current liabilities consist of liabilities to banks, contract liabilities, trade payables, liabilities to non-controlling interests, other liabilities, leasing liabilities, provisions with the nature of a liability, tax provisions and other provisions. Current liabilities as of December 31, 2020 were EUR 70,515 thousand, a EUR 21,776 thousand, or 23.5%, decrease compared to EUR 92,291 thousand as of December 31, 2019. The decrease was principally a result of the payment of various positions, including trade payables, liabilities to non-controlling interests and other liabilities.

8.6.2 Comparison of December 31, 2019 to December 31, 2018

8.6.2.1 Non-current assets

Non-current assets as of December 31, 2019 were EUR 61,270 thousand, a EUR 23,232 thousand, or 61.1%, increase compared to EUR 38,038 thousand as of December 31, 2018. The increase was principally a result of the Bohlen & Doyen acquisition.

Intangible assets as of December 31, 2019 were EUR 174 thousand, a EUR 118 thousand, or 40.4%, decrease compared to EUR 292 thousand as of December 31, 2018. The decrease was principally a result of the amortization of intangible assets.

Property, plant and equipment as of December 31, 2019 were EUR 48,814 thousand, a EUR 13,211 thousand, or 37.1%, increase compared to EUR 35,603 thousand as of December 31, 2018. The increase was principally a result of the acquisition of Bohlen & Doyen, which included technical equipment and machinery, land and buildings and operating and office equipment.

Financial assets as of December 31, 2019 were EUR 6,485 thousand, a EUR 4,864 thousand, or 300%, increase compared to EUR 1,621 thousand as of December 31, 2018. The increase was principally a result of acquisitions, including the acquisition of Bohlen & Doyen, during the fiscal year ended December 31, 2019 and due to the entering into joint ventures measured at equity.

Deferred tax assets as of December 31, 2019 were EUR 5,797 thousand, a EUR 5,276 thousand, or 1,012.7%, increase compared to EUR 521 thousand as of December 31, 2018. The increase was principally a result of the acquisition of Bohlen & Doyen.

8.6.2.2 Current assets

Current assets as of December 31, 2019 were EUR 106,197 thousand, a EUR 57,485 thousand, or 118.0% increase compared to EUR 48,712 thousand as of December 31, 2018. This increase was principally a result of the acquisition of Bohlen & Doyen.

Inventories as of December 31, 2019 were EUR 3,757 thousand, a EUR 416 thousand, or 12.5% increase compared to EUR 3,341 thousand as of December 31, 2018. This increase was principally a result of the acquisition of Bohlen & Doyen and the increased revenue.

Trade receivables and other current assets as of December 31, 2019 were EUR 50,078 thousand, a EUR 13,552 thousand, or 37.1% increase compared to EUR 36,526 thousand as of December 31, 2018. This increase was principally a result of the acquisition of Bohlen & Doyen.

Cash in hand and bank balances as of December 31, 2019 were EUR 52,361 thousand, a EUR 43,516 thousand, or 492% increase compared to EUR 8,845 thousand as of December 31, 2018. This increase was principally a result of the operating cash flow and the Vorwerk Group's high cash conversion as well as the acquisition of Bohlen & Doyen.

8.6.2.3 Equity

Total equity as of December 31, 2019 was EUR 37,880 thousand, a EUR 14,219 thousand, or 60.1%, increase compared to EUR 23,661 thousand as of December 31, 2018. The increase was principally a result of the net income generated in the fiscal year, less profits attributed to the accounts of the shareholders.

8.6.2.4 Non-current liabilities

Non-current liabilities as of December 31, 2019 were EUR 37,295 thousand, a EUR 15,538 thousand, or 71.4%, increase compared to EUR 21,757 thousand as of December 31, 2018. The increase was principally a result of entering into additional loan agreements as well as the acquisition of Bohlen & Doyen.

8.6.2.5 Current liabilities

Current liabilities as of December 31, 2019 were EUR 92,291 thousand, a EUR 50,959 thousand, or 123.3%, increase compared to EUR 41,332 thousand as of December 31, 2018. The increase was principally a result of the acquisition of Bohlen & Doyen and higher contract liabilities, higher provisions relating to outstanding invoices and subcontractor services, which were partially offset by lower current liabilities to banks.

8.7. Liquidity and Capital Resources

8.7.1 Cash flows

The following table sets for our cash flow data for the periods presented.

(in EUR thousand)	For the fiscal year ended December 31,		
	2020	2019	2018
	(audited)		
Cash flow from operating activities			
Earnings before interest and taxes (EBIT)	47,468	33,831	13,651
Adjustments for non-cash transactions			
Depreciation and amortization	11,354	7,976	7,428
Increase / decrease in provisions	4,391	997	26
Gains / Losses from disposal of PPE	58	631	41
Results from joint ventures	(10,551)	(4,185)	(3,895)
Other non-cash expenses/income	(25)	(5,151)	(1,163)
Change in working capital			
Increase / decrease in inventories, trade receivables and other assets	(5,789)	5,138	(3,878)
Decrease / increase in trade payables and other liabilities	(20,055)	18,508	4,796
Income taxes paid	(4,664)	(1,349)	(1,125)
Interest received	115	119	98
Dividends and payments received from joint ventures	11,016	2,638	3,789
Cash flow from operating activities	33,319	59,153	19,767
Cash flow from investing activities			
Investments / divestments of intangible assets	(203)	(24)	(118)
Investments / divestments of property, plant and equipment	(20,199)	(5,408)	(5,104)
Acquisition of consolidated companies (less cash received)	0	1,414	(443)
Cash flow from investing activities	(20,402)	(4,018)	(5,665)
Cash flow from financing activities			
Profit distribution to shareholders	(12,445)	(7,879)	(2,716)
Payments to non-controlling interests	(1,626)	0	0
Payments received from financial loans / borrowings	850	21,000	9,500
Repayment of principal of financial loans	(1,384)	(20,652)	(11,004)
Payments on leasing liabilities	(4,811)	(3,411)	(3,041)
Interest Payments	(729)	(678)	(1,155)
Cash flow from financing activities	(20,144)	(11,619)	(8,415)
Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents	(7,228)	43,516	5,687
Change in liquidity from changes in the scope of consolidation	120	0	0
Cash and cash equivalents at the start of the period	52,361	8,845	3,159
Cash and cash equivalents at the end of the period	45,254	52,361	8,845
Composition of cash and cash equivalents			
Cash in hand	50	52	31
Bank balances	45,204	52,310	8,814

8.7.2 Comparison of fiscal years December 31, 2020 to December 31, 2019 and December 31, 2019 to December 31, 2018

8.7.2.1 Net cash generated from operating activities

Net cash generated from operating activities decreased from EUR 59,153 thousand for the fiscal year ended December 31, 2019 to EUR 33,319 thousand for the fiscal year ended December 31, 2020. This decrease was principally the result of the change in working capital.

Net cash generated from operating activities increased from EUR 19,767 thousand for the fiscal year ended December 31, 2018 to EUR 59,153 thousand for the fiscal year ended December 31, 2019. This increase was primarily the result of an increase in EBIT due to increasing margins and the increase in revenue accompanied by working capital optimizations, which mainly relate to a higher share of advance payments received. The changes in

these positions were impacted by the first-time consolidation of Bohlen & Doyen, which accounted for EUR 9,674 thousand of net cash generated from operating activities in the fiscal year ended December 31, 2019.

8.7.2.2 Net cash used in investing activities

Net cash used in investing activities increased from a net cash used in investing activities of EUR 4,018 thousand for the fiscal year ended December 31, 2019 to a net cash used in investing activities of EUR 20,402 thousand for the fiscal year ended December 31, 2020. This increase was principally the result of the acquisition of the premises in Wiesmoor and Geeste and the consolidation of Bohlen & Doyen.

Net cash used in investing activities decreased from a net cash used in investing activities of EUR 5,665 thousand for the fiscal year ended December 31, 2018 to a net cash used in investing activities of EUR 4,018 thousand for the fiscal year ended December 31, 2019. This decrease was principally the result of payments made for acquisitions in 2018, while in 2019 the acquisition of Bohlen & Doyen resulted in a net cash inflow.

8.7.2.3 Net cash used in financing activities

Net cash used in financing activities increased from net cash used in financing activities of EUR 11,619 thousand for the fiscal year ended December 31, 2019 to a net cash used in financing activities of EUR 20,144 thousand for the fiscal year ended December 31, 2020. This increase was principally the result of higher profit distributions to shareholders and non-controlling interests.

Net cash used in financing activities increased from EUR 8,415 thousand for the fiscal year ended December 31, 2018 to EUR 11,619 thousand for the fiscal year ended December 31, 2019. This increase was principally the result of payments of profit distributions to shareholders and the repayment of principal of financial loans which were partially offset by higher cash inflows from financial borrowings.

8.7.3 Operational capital expenditure

Operational capital expenditure comprises payments for investments in intangible assets and property, plant and equipment. The following table sets forth our operational capital expenditures for the periods indicated.

(in EUR thousand)	For the fiscal year ended December 31,		
	2020	2019	2018
	(audited)		
Investments intangible assets	203	24	118
Investments property, plant and equipment	20,617	5,681	6,020
Divestments property, plant and equipment	(418)	(273)	(916)
Total	20,402	5,432	5,222

8.7.3.1 Capital expenditures for the fiscal year ended December 31, 2020

In the fiscal year ended December 31, 2020, our operational capital expenditures amounted to EUR 20,820 thousand. These expenditures related primarily to the purchase of the premises in Wiesmoor and Geeste as well as to the extension of our technical equipment and machinery. The largest individual capital expenditures amounted to EUR 8,950 thousand for the premises in Wiesmoor.

8.7.3.2 Capital expenditures for the fiscal year ended December 31, 2019

In the fiscal year ended December 31, 2019, our operational capital expenditures amounted to EUR 5,705 thousand. These expenditures related primarily to the extension of our technical equipment and machinery as well as to the purchase of a property in Halle (Saale). The largest individual capital expenditure apart from the property acquisition (EUR 854 thousand) amounted to EUR 175 thousand for a telescopic handler.

8.7.3.3 Capital expenditures for the fiscal year ended December 31, 2018

In the fiscal year ended December 31, 2018, our operational capital expenditures amounted to EUR 6,138 thousand. These expenditures related primarily to the extension of our technical equipment and machinery and other equipment. The largest individual capital expenditure amounted to EUR 504 thousand for twelve scraper traps.

8.7.3.4 Current capital expenditures

In order to react to the expected growth of our business, we intend to further invest in our sites, technology, digitization and technical equipment and machinery. This could also include the establishment of new sites in adjacent European countries. We are currently planning on establishing a R&D center in Germany. In addition, we continue to be committed to external growth and intend to consider strategically attractive acquisitions and investments in the future to extend our market position.

Other than as set forth in the paragraph above, we have not made any important capital expenditures from December 31, 2020 to the date of this Prospectus.

8.7.3.5 Future capital expenditures

As of the date of this Prospectus, we have no concrete plans for any additional capital expenditures other than those listed above.

8.7.4 Sources of funding

We do not generally pre-manufacture our energy infrastructure equipment in anticipation of order intake from our customers. We manufacture our energy infrastructure equipment, in general, once we have received firm orders from our customers and, in certain limited cases, we may commence manufacturing once we have received a clear indication from a customer depending on its importance for our business.

As we usually receive a certain part of funding from our customers during the construction time of our energy infrastructure equipment, we are not dependent on bank loans to finance our operations. Nevertheless, we have financed long-term investments such as premises and buildings through long-term bank loans and we have certain bank guarantee contracts in place. The following table provides an overview of our bank loans:

(in EUR thousand)	As of December 31,		
	2020	2019	2018
		(audited)	
Due within one year	1,466	1,320	5,657
Due between one and five years.....	6,488	4,492	1,711
Due after five years.....	376	2,863	963
Total	8,330	8,674	8,330

The most recent loan we concluded has a fixed interest rate of 0.66% per annum while the average interest rate of our bank loans is at 1.24% per annum as of December 31, 2020.

The breakdown of our major bank and loan liabilities as of December 31, 2020 on a consolidated basis is as follows:

Bank	Purpose of Loan	Initial Amount in EUR thousand	Amount outstanding as of December 31, 2020 in EUR thousand	Interest rate in % per annum	Maturity Date
1. UniCredit	Extension of our site in Herne	1,500	713	3M EURIBOR + 0.55% (at least 0%)	July 2025
2. UniCredit	Extension of our site in Tostedt	2,000	1,300	3M EURIBOR + 0.60% (at least 0%)	April 2027
3. UniCredit	Refinancing of shareholder loans	1,500	1,500	1.60%	December 2025
4. UniCredit	Refinancing of shareholder loans	4,500	3,750	1.50%	December 2025
5. UniCredit	Purchase of a new site in Halle (Saale)	850	786	3M EURIBOR + 0.95% (at least 0%)	March 2030

On December 18, 2020, the Vorwerk Group entered into a loan agreement with Commerzbank AG with a principal amount of EUR 1,600 thousand and a term until December 2027, which was paid out in January 2021. The interest rate amounts to 0.65%. The proceeds are used to refinance the acquisition of the site in Geeste. Moreover, on January 8, 2021, the Vorwerk Group entered into a loan agreement with Hamburger Sparkasse with a principal amount of EUR 8,950 thousand and a term until January 2031, which is expected to be paid out in March 2021. The interest rate amounts to 0.66%. The proceeds are used to finance the purchase of the site in Wiesmoor.

In addition, the Vorwerk Group received a loan from one of the shareholders of Vorwerk KG. Please refer to section "16.2 Transactions and Legal Relationships with Related Parties" for further details.

As a further source of funding, the Vorwerk Group issued profit participation rights of EUR 10,213 thousand to Irene und Friedrich Vorwerk Stiftung. The profit participation rights grant a guaranteed interest rate of 2.50% above the applicable 3M-EURIBOR. Furthermore, the bearer of the profit participation rights participates in the consolidated net profit of the Vorwerk Group in the form of floating-rate interest. The total interest on the profit participation rights in the fiscal year ended December 31, 2020 amounted to 4.0%, compared to 3.6% in the year ended December 31, 2019. The profit participation rights can be cancelled for the first time effective December 31, 2039.

As of December 31, 2020, our premises in Tostedt and Herne were encumbered with registered mortgages on the plot of land in Harburger Straße 19, 21255 Tostedt (EUR 1,734 thousand for the benefit of UniCredit Bank AG for the loans listed under number 1, 2 and 5 in the table above), on the plot of land in Friedrich-Vorwerk-Straße 6, 21255 Tostedt (EUR 400 thousand for the benefit of UniCredit Bank AG for the loan listed under number 5 in the table above), on the plot of land in Gewerkenstraße 3, 44628 Herne (EUR 1,531 thousand for the benefit of UniCredit Bank AG for the loans listed under number 1, 2 and 5 in the table above) and on several forest areas in Tostedt (EUR 900 thousand for the benefit of Bankhaus Lampe KG).

As of December 31, 2020, the Vorwerk Group had overdraft facilities in place with UniCredit Bank AG (EUR 10 million), which can be used either as an overdraft facility or as a guarantee facility. The facility had been utilized in the amount of EUR 3,815 thousand as guarantee facility. In addition, the Vorwerk Group had overdraft facilities in place with Hamburger Sparkasse (EUR 8 million) which had not been utilized as of the date of this Prospectus. The overdraft facilities do not have a fixed maturity date.

8.7.5 Contingencies and other financial obligations

The following table provides an overview of our contingencies and other financial obligations:

(in EUR thousand)	As of December 31,		
	2020	2019 (audited)	2018
Due within one year	775	2,268	0
Due between one and five years	0	0	0
Due after five years	0	0	0
Total	775	2,268	0

The majority of operating leases were recognized as right of use assets and lease liabilities. There are exceptions for short-term leases, leases for low-value assets and variable lease payments.

Other financial obligations relate to leases for company vehicles and technical equipment and machinery as well as to a contractual obligation to acquire a premise for the fiscal year ended December 31, 2019.

8.7.6 Off-balance sheet arrangements

We have entered into eight agreements with banks and credit insurance companies which provide us with various guarantees (advance payment bonds, contract performance bonds and guarantee bonds) to secure contractual obligations for which we pay surety interest. As of December 31, 2020, the total bank guarantees amounted to EUR 176.0 million (of which EUR 95.3 million were utilized) as compared to EUR 107.3 million (of which EUR 87.1 million were utilized) as of December 31, 2019. None of these bank guarantees have been called upon during the periods under review. Other than these eight agreements, we do not have any off-balance sheet arrangements as of the date of this Prospectus.

8.8. Disclosures about Market Risk

8.8.1 Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). Our invoices are essentially issued in euro or the respective local currency, thereby largely avoiding exchange rate risks. We are exposed to interest rate risks as a result of borrowing at floating interest rates. We manage these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. To minimize these risks as much as possible, we used derivative hedging instruments on rare occasions. As a principle only operating risks are hedged, and no speculative transactions are concluded. We had liabilities with floating interest rates of EUR 2,013 thousand as of December 31, 2020 (2019: EUR 2,363 thousand; 2018: EUR 2,713 thousand).

8.8.2 Liquidity risk

Liquidity risk describes the risk that we will be unable to meet our payment obligations on maturity. The high level of cash and cash equivalents means there is no liquidity risk from financial liabilities. We manage liquidity risks by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and coordinating the maturity profiles of financial assets and liabilities.

8.8.3 Credit risk

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 we are 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 the simplified approach.

8.9. Material Accounting Policies and Critical Accounting Estimates

The preparation of financial statements requires the use of assumptions and estimates. In preparing financial statements, management uses its best judgment based on its experience and the prevailing circumstances at that time. The estimates and assumptions are based on available information and conditions at the end of the accounting period and are regularly reviewed. The increased uncertainties in light of COVID-19 posed particular challenges when making appropriate judgements, estimates and assumptions.

The following key estimates and assessments have a significant influence on the amounts reported in the Audited Consolidated Financial Statements:

- Revenue recognition;

- Impairment of non-financial assets;
- Provisions;
- Deferred tax assets.

See Note I.5 of the Audited Consolidated Financial Statements 2020 for a description of material accounting policies and critical accounting estimates.

8.10. Additional information relating to the Audited Unconsolidated Financial Statements

The Audited Unconsolidated Financial Statements have been prepared in accordance with the HGB and are included in this Prospectus. These financial statements are used to calculate the Company's distributable profit (*Bilanzgewinn*). Dividends to shareholders of the Company may only be distributed from such distributable profit. The accounting principles set forth in the HGB may differ from IFRS in material respects.

In the fiscal year ended December 31, 2020, the Company achieved a distributable profit (*Bilanzgewinn*) of EUR 25,127 thousand, as compared to EUR 0 thousand in the fiscal year ended December 31, 2019 in which the Company existed as a shelf company. As of December 31, 2020, the total assets of the Company amounted to EUR 47,327 thousand, compared to EUR 30 thousand as of December 31, 2019, and the equity of the Company amounted to EUR 44,858 thousand, compared to EUR 30 thousand as of December 31, 2019.

9. MARKETS AND COMPETITIVE ENVIRONMENT

9.1. Introduction to the Energy Sector

9.1.1 General overview

We are a fully-integrated player offering a wide range of technologically advanced solutions and services to customers that are primarily active in the energy sector. The energy sector includes all infrastructure and market participants involved in the production, transmission, processing and distribution of energy of any form and type and therefore fulfils a system critical role in the evolution and functioning of societies and economies worldwide.

Societies today consume different forms of energy, which can generally be grouped along molecular and electrical energy forms. Molecular forms include for example coal, oil, natural gas, hydrogen and heat, whereas electrical energy is provided solely in the form of electricity (also referred to as "power"). The large majority of consumed energy in Europe is molecule-based (c. 80%), whereas electrical energy only accounts for c. 20% (*Source: International Energy Agency "IEA": Data and statistics database, 2020*).

The two different forms of energy are in turn being supplied by energy systems, which are either based on non-renewable or renewable primary energy sources.

Non-renewable energies typically denote those sources that are exhaustive, *i.e.*, those that will unavoidably run out or will not be replenished on a human timescale. These primarily include conventional fossil fuels such as natural gas, oil and coal but also nuclear. While all fossil fuels generally have in common that they are comparatively easy and inexpensively to extract, store, pipe and ship, their combustion also releases harmful particles and carbon dioxide into the atmosphere that can have severe negative long-term effects on the world's carbon balance.

Natural gas is currently primarily used to provide space and process heat in the building and industry sectors, as well as – to a lesser extent – to produce electricity (*Source: BDEW: Erdgasabsatz nach Verbrauchergruppen, 2019*). While natural gas, too, emits harmful greenhouse gases when combusted, it is generally considered significantly less harmful to the climate compared to other fossil fuels (*Source: Zukunft ERDGAS e.V.: Erdgas in Deutschland – Zahlen, Fakten und Trends für das Jahr 2019, 2020*). The most widely consumed non-renewable fuel is fossil oil. Especially in transport and agriculture, fossil oil and oil-based products still account for the vast majority of total energy consumption (*Source: Climate Action Network (CAN) Europe; European Environmental Bureau (EEB): Building a Paris Agreement Compatible (PAC) energy scenario, 2020*). Lastly, coal (both lignite and hard coal) is widely considered the most carbon-intensive fossil fuel. Key consumers primarily include the power generation sector (coal-fired power plants), but also the industrial sector (*e.g.*, steel production) as well as the buildings sector.

While nuclear energy is significantly less harmful with regard to air pollution and carbon emissions, it is generally also considered a non-renewable source of energy, as the specific type of fuel required for nuclear fission – uranium (U-235) – is non-renewable and comparatively rare.

Renewable energy fuels, by contrast, denote all types of energy that are collected from renewable, naturally replenishing, resources including carbon-neutral sources like sunlight, tide or wind.

While energy systems have historically focused primarily on guaranteeing an economic and reliable energy supply to society and thus foster sustainable economic growth, the mitigation of long-term impacts on climate, wildlife and societies as a whole has started to emerge as a third – and equally important – theme over the last decades. As policymakers and scientists around the world are working increasingly to balance energy security and climate impact, global energy systems find themselves in an unprecedented transformation phase. This transition is also prompting sustained changes in the key energy end-markets primarily addressed by us, *i.e.*, gas, electricity and hydrogen.

9.1.2 Key overarching megatrends and drivers in the European energy sector

The European energy sector in which we are active is currently undergoing a fundamental transformation process. We believe that there are three – closely interrelated – megatrends impacting and potentially accelerating this transition process: escalating climate change, a global strategic push towards de-carbonization and a substantial change in the future energy mix. While these three megatrends may vary in their respective significance across geographies, they are present in all regions and act as major change agents to the local and regional energy systems.

9.1.2.1 Escalating climate change

Climate change is by far the most dominant overarching theme impacting all energy sectors and societies across the globe alike. When assessing the extent and speed of climate change, scientists and policymakers typically look at a number of global climate indicators, including changes in the global surface temperature and other leading indicators such as greenhouse gas emissions, ocean temperature, the cryosphere (*i.e.*, changes related to snow cover, sea ice, glaciers, ice caps, permafrost and seasonally-frozen ground), changes in wildlife populations or the frequency and intensity of extreme weather events (*Source: World Meteorological Organization ("WMO"): WMO Statement on the State of the Climate in 2019, 2020*). Throughout the last decades, many of these indicators have been showing trajectories suggesting a rapid and sustained change to our climate system. According to the UN, there is evidence suggesting that major tipping points, resulting in irreversible changes in global ecosystems and the climate system, may already have been reached or even passed (*Source: United Nations ("UN") Website: Climate Change*).

The Intergovernmental Panel on Climate Change ("**IPCC**") Special Report concludes that human activities have led to a global warming compared to pre-industrial levels of approximately 1°C (with a likely range of 0.8°C to 1.2°C), rising at an estimated 0.2°C per decade (*Source: IPCC Special Report: Global Warming of 1.5°C*). This is also confirmed by the National Oceanic and Atmospheric Administration ("**NOAA**") which shows an increase by 0.95% since 1880 (*Source: NOAA: Climate at a Glance: Global Time Series, 2021*). Similarly, increasing levels of greenhouse gases in the atmosphere are a major driver of the continuous global warming. According to the WMO's Greenhouse Gas Bulletin, greenhouse gas mole fractions have grown constantly over the last decades and reached new record-levels in 2018 for CO₂, methane and nitrous oxide (*Source: WMO Greenhouse Gas Bulletin, 2019*). Besides the surface temperature, other indicators further underline the rapid speed and intensity of climate change, including shrinking ice sheets, globally retreating glaciers, rising sea levels, a rising number of extreme weather events as well as a gradual ocean acidification.

9.1.2.2 Strategic push towards de-carbonization

Against the background of escalating climate change and the associated impacts on global ecosystems and societies, governmental and societal efforts to drastically reduce greenhouse gas ("**GHG**") emissions and hence contain the rise in global temperatures have intensified throughout the last decades.

The most comprehensive and first-ever step to bringing the international community into common cause to tackle climate change is the Paris Agreement Under the United Nations Framework Convention on Climate Change (the "**Paris Agreement**"). Signed in 2016, the declared long-term goal of the Paris Agreement is to present a global response to the shared challenge of climate change by keeping the global temperature rise this century "well below 2°C" above pre-industrial levels and to "pursue efforts to limit the temperature increase even further to 1.5°C" (*Source: United Nations Website: Climate Change*). As of January 2021, 195 states (including the European Union) have signed the Paris Agreement (*Source: United Nations Treaty Collection Website: Status of Treaties*). All of these are required to contribute to the long-term goal by implementing so-called nationally determined contributions ("**NDCs**"). These are clear and ambitious national climate plans stating the concrete actions, policies, climate targets and tracking mechanism that each individual signee is willing and able to put forward as a contribution to global climate action.

To this end, the European Union – still representing one of the biggest CO₂ emitters worldwide – has put forward ambitious political commitments to cut greenhouse gas emissions by at least 55% by 2030 (as compared to 1990 levels) (*Source: European Commission Website: 2030 Climate Target Plan*). By 2050, the EU strives to become the

world's first climate neutral continent (Source: *European Commission Website: 2030 Climate Target Plan*). To support this ambitious overarching goal, the EU has recently launched the European "Green Deal" – a comprehensive European growth strategy outlining concrete sets of actions and initiatives promoting the efficient use of resources and further decoupling them from economic growth (Source: *European Commission Website: A European Green Deal*). To pave the path for this goal and ensure a holistic approach, the Green Deal addresses all sectors of the economy:

- De-carbonizing the energy sector;
- Investing in environmentally-friendly technologies;
- Supporting industry to innovate;
- Rolling out cleaner, cheaper and healthier forms of private and public transport;
- Ensuring buildings are more energy efficient; and
- Working with international partners to improve global environmental standards (Source: *European Commission*).

While the funding of the measures remains to be decided, the EU Commission has already put forward a first European Green Deal Investment Plan aiming to provide the funding required for the planned European transition up to 2030. According to this plan, over the 10-year period from 2021-2030, the EU Commission plans to mobilize an investment volume in excess of EUR 1 trillion for sustainable investments by increasing the resources devoted to climate action under the EU budget, as well as leveraging additional public and private investments (Source: *European Commission Website The European Green Deal Investment Plan and Just Transition Mechanism explained*).

A number of member states of the European Union have translated the overarching climate goals under the Paris Agreement into national strategy and legislation. By adopting the Climate Action Plan 2050 in 2016, Germany, for example, was one of the first countries among the international community to submit a comprehensive long-term greenhouse gas reduction strategy to the UN as agreed within the Paris Agreement. In this strategy, Germany commits to reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. By 2050, the stated target is to become largely greenhouse gas-neutral - in line with the European Green Deal (Source: *Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety ("BMU"): Climate Action Plan 2050 Executive Summary*). To achieve these overarching goals, the climate plan stipulates clear de-carbonization targets for each area of action (energy, buildings, transport, trade & industry, agriculture and forestry), outlines concrete measures and initiatives for implementation and establishes a continuous process for monitoring and updating policies (Source: *BMU: Climate Action Plan 2050 Executive Summary*). Just like Germany, more than 110 countries worldwide, including the UK, France, the Netherlands, Sweden, Denmark, Hungary, Japan and China, have followed suit and declared net-zero emissions as a key strategic goal by 2050 or 2060 at the latest (Source: *United Nations Website: Net-Zero Emissions Must Be Met by 2050 or COVID-19 Impact on Global Economies Will Pale Beside Climate Crisis, Secretary-General Tells Finance Summit, 2020*). China, the world's largest single producer or CO₂ equivalents, recently communicated its long-term ambition to achieve carbon neutrality before 2060 (Source: *BBC: Climate change: China aims for 'carbon neutrality by 2060', 2020*). While former President Donald Trump withdrew from the Paris Agreement, the current President Joe Biden already pledged to recommit the United States to the Paris Agreement and enact a long-term strategic target for the US to achieve net-zero carbon emissions by 2050, as well (Source: *Joe Biden Campaign Website, 2020*).

To further support the committed NDCs, leading players in the energy and industrial sector, including RWE, E.ON, Royal Dutch Shell and Thyssen Krupp, have additionally committed to strict carbon reduction targets. Other leading European energy producers such as Iberdrola and Enel have signed on to UN targets for climate neutrality. In addition, public opinion is increasingly pushing governments and companies alike to enact more ambitious environmentally-friendly measures and long-term goals, as demonstrated recently with the "Fridays for Future" rallies in many European countries.

9.1.2.3 Change in energy mix

In order to achieve the long-term climate goals and enable deep de-carbonization, governments around the world are challenged to address each of the main economic sectors (*e.g.*, industry, energy, buildings and transport), designing and implementing effective policies that fit the particularities and respective energy demands of each sector.

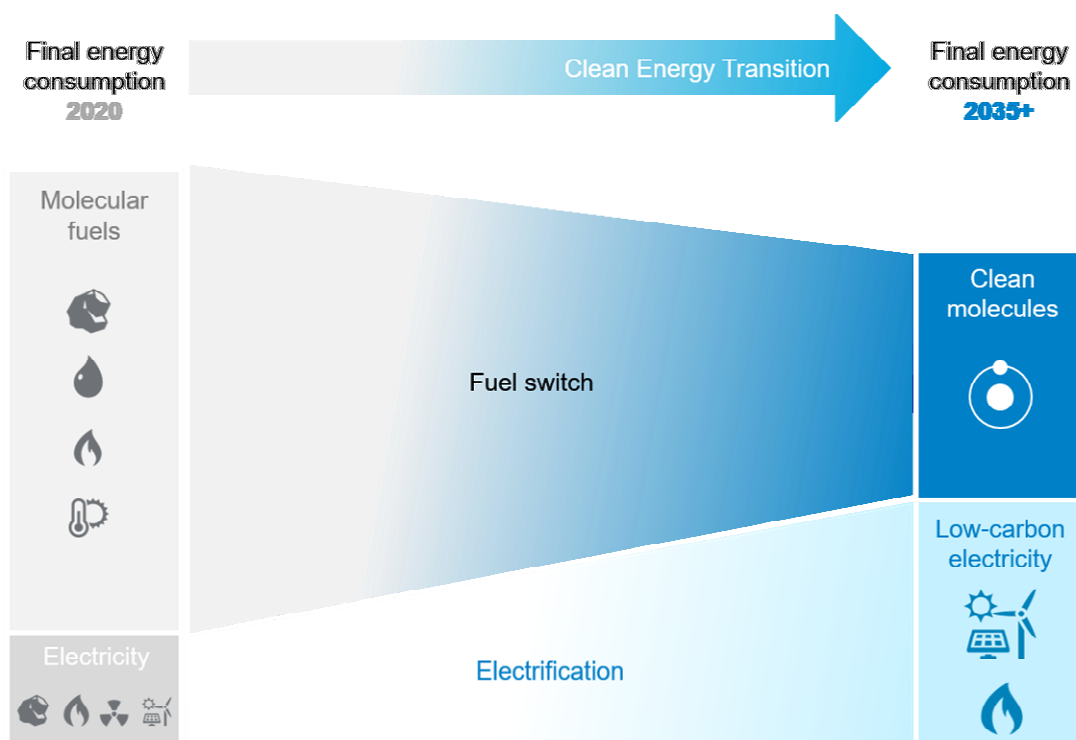
One major driver of de-carbonization across all sectors lies in an improvement of energy efficiency, *i.e.*, a reduction in final energy demand through cleaner technologies, process optimization and a more efficient use of resources. On a global level, efficiency improvements alone will likely not be sufficient to compensate for an overall rapidly growing energy demand, driven primarily by emerging countries as they continue to drive industrialization and electrification of previously undeveloped areas. In Europe, however, where most geographies are already industrialized and energy demand growth is much less acute, the realization of energy efficiencies across sectors represents a key driver without which the achievement of overarching climate goals will be difficult, if achievable at all.

Energy efficiency improvements, however, can likely take governments only thus far on their path to a net-zero economy. As a result, focus of policymakers and scientists alike has shifted towards the second and likely more effective driver of de-carbonization: the abatement of fossil, carbon-intensive fuels.

Reducing greenhouse gas emissions through the replacement of fossil with alternative – ideally zero-emission – fuels requires a differentiated approach to each individual sector. In most sectors, including transport, buildings and industry, experts see a major potential through a large-scale electrification, *e.g.*, by promoting battery electric vehicles, switching to electrical heat pumps for buildings or using electricity to provide low- to medium temperature heat in traditionally highly energy-intensive industrial processes (*e.g.*, drying, distilling or steam reforming). Large-scale electrification, however, can only achieve a meaningful de-carbonization effect if the electricity that is being used is carbon-neutral as well. As a consequence, the power generation sector is expected to experience a dramatic switch away from highly carbon-intensive fuels (primarily lignite and hard coal) to lower-carbon fuels (primarily gas) or carbon-neutral renewable energies, such as solar, wind and – to a lesser extent – biomass energy.

Electricity alone, however, will not be able to meet the entire energy demand in the European Union: In certain sectors of the economy, there remain a number of distinct areas, which are hard or even impossible to de-carbonize by means of electrification. These include, for example, some forms of transportation where purely electrical drive types based on technologies known today cannot be economically used (*e.g.*, aviation or shipping), highly temperature-intensive industrial sectors like iron and steel production, or industries that use fossil fuels as raw material for the finished product, such as chemicals manufacturing (*esp.* ammonia and methanol). In order to move towards carbon neutrality in these hard-to-abate areas, it is hence indispensable to switch from the currently used fossil fuels to cleaner or even carbon-free molecular fuels (*i.e.*, hydrogen, bio-methane, biogenic gas).

Against this backdrop, today's energy mix is expected to undergo two substantial changes in the next decades. First, the share and absolute amount of electricity will increase significantly until 2050, as key sectors of the economy (industry, transport, buildings) are being increasingly electrified with low- or zero-carbon electricity (*i.e.*, based on renewables and – in some regions – nuclear power and natural gas). Secondly, the conventional fossil fuels required primarily by the hard-to-abate sectors will need to be replaced by cleaner molecule-based fuels, especially hydrogen.



This fundamental change to the energy mix poses substantial challenges. However, we believe they present us with opportunities in the relevant markets in which we are primarily active, *i.e.*, gas, electricity and hydrogen. In the following sections, we will outline the effects we believe these and other trends may have on the energy transmission infrastructure in the respective markets, how the markets are structured and how this may impact our addressable market.

9.2. The Addressed Natural Gas Market

9.2.1 General overview

Natural gas represents a central and increasingly important piece of the European and German energy mix. On a European level, in 2017, natural gas accounted for approximately 24% of total primary energy consumption, as compared to only 18% in 1990 (Source: *European Environment Agency*). In Germany, in 2019, this share is even higher at 25%, as compared to only 15% in 1990, thus making it the second most important energy source in Germany after fossil oil (35.3%) (Source: *Federal Ministry for Economic Affairs and Energy ("BMWi"): Energiedaten Gesamtausgabe, 2020*). Key consumers include residential and commercial buildings with approximately 40% of total consumption (+7% vs. 2014), the industrial sector with approximately 39% (+9% vs. 2014), the power sector with 12% (+48% vs. 2014) and district heat with 7% (+11% vs. 2014) (Source: *BDEW: Erdgasabsatz nach Verbrauchergruppen, 2019*).

Over the last decades, the significance of natural gas in the energy mix has continuously increased on global, European and German levels. Between 2014 and 2019, global natural gas consumption has increased by 14%, from 3,511 to 4,018 billion cubic meters, in line with Europe, which also witnessed a growth of 14% over the same period (Source: *EnerData: Global Statistical Yearbook 2020, 2020*). Natural gas consumption in Germany displayed an even higher growth rate during this time, registering an increase of more than 20%. Driven by this substantial growth rate, the share of natural gas in Germany's total primary energy consumption increased by almost 5 percentage points (from 20.2% to 25%) from 2014 to 2019 (Source: *BMWi: Energiedaten Gesamtausgabe, 2020*).

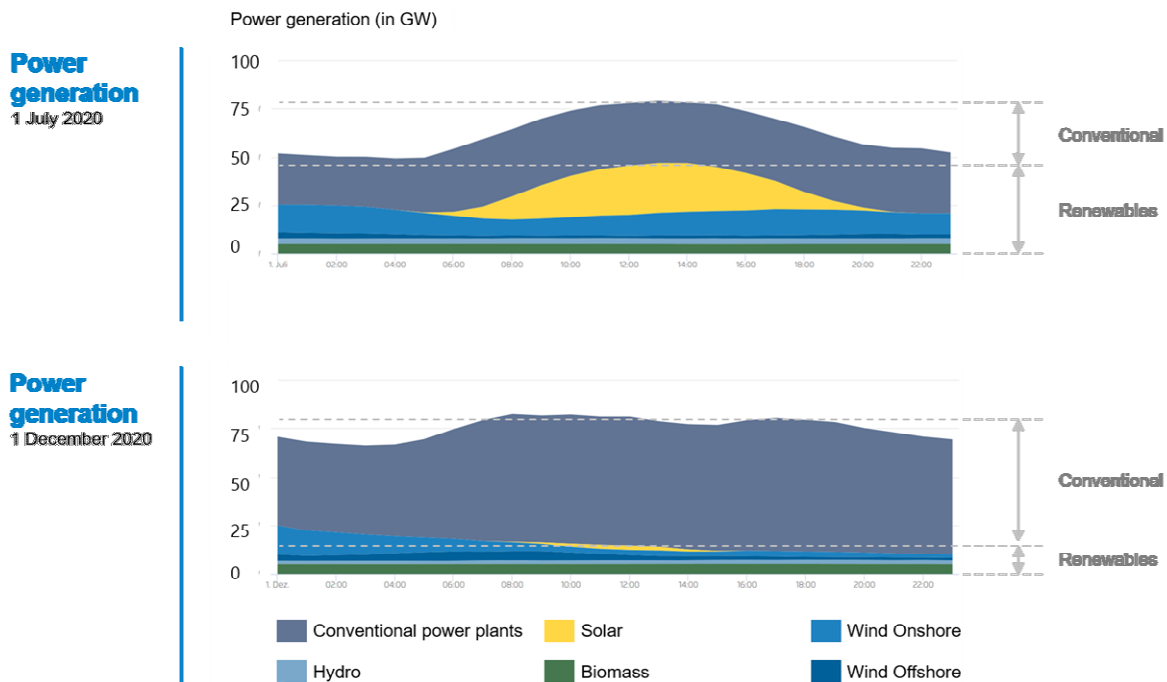
9.2.2 Key drivers of our addressed gas market

In the context of the EU transition to a net-zero emissions energy system by 2050, we believe that the natural gas industry will face a fundamental transformation over the next decades. We believe to have identified several key

drivers that may heavily affect the future demand for natural gas and therefore define the magnitude and speed at which this transformation will take place. These key drivers include: National coal and nuclear phase-out plans combined with growing concerns for energy security as well as carbon capture, utilization and storage (CCUS) technology.

9.2.2.1 Coal and nuclear phase-out

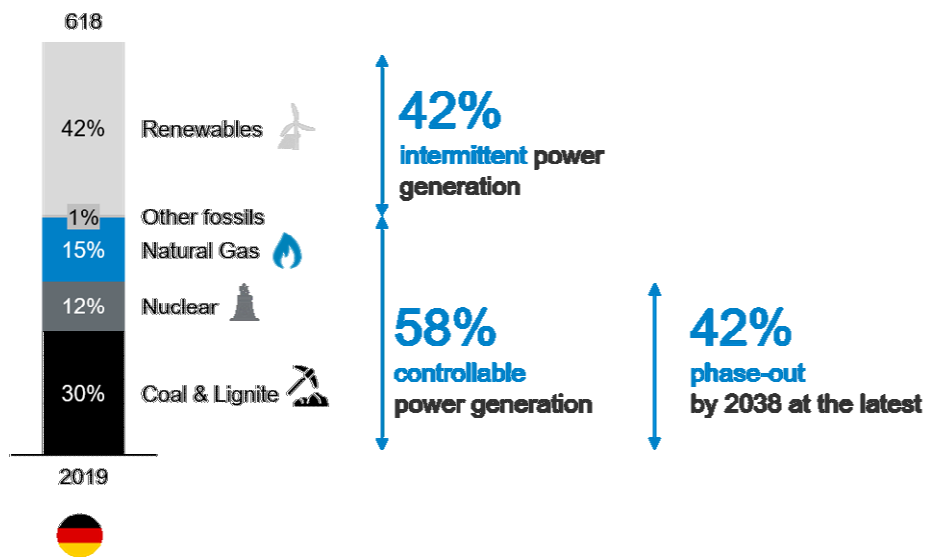
Due to its heavy reliance on conventional fossil fuels, in particular hard coal and lignite, the power generation sector traditionally represents one of the key emitters of greenhouse gases across most geographies. The IEA found that CO₂ emitted from coal combustion was responsible for more than 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels (Source: IEA: *Global Energy & CO₂ Status Report 2019, 2019*). As a result, a rapid and sustained transformation of the power sector holds a critical role in meeting long-term de-carbonization goals (Source: IEA: *Global Energy & CO₂ Status Report 2019, 2019*).



Source: Agora Energiewende

Against this backdrop, multiple European countries have announced and implemented plans to de-carbonize power generation by phasing out coal over the course of the next decades. For example, France has announced a coal phase-out until 2022-2023, Austria, Ireland and Italy by 2025, and Denmark, Finland, the Netherlands and Portugal by 2030. Belgium shut down the last coal-fired power plant in 2016 (Source: CEPS Research Report: *The future of gas in Europe: Review of recent studies on the future of gas*). Germany has committed to plans to ramp down all coal-based power plants from 43 GW in 2017 down to zero GW by 2038, with the option to accelerate the phase out by three years (Source: *Deutscher Gewerkschaftsbund Website: Kohleausstiegsgesetz: Bahn frei für die Erneuerbaren?*, 2020). In addition, Germany has also shut down some of its nuclear power plants since 2003 and has committed to completely phase out nuclear power production by 2022. Other European countries, such as Belgium and Spain also plan such nuclear phase outs in the near future or in the case of Switzerland have voted not to build new nuclear power plants. In most of these countries fossil fuels such as lignite, hard coal and nuclear have traditionally accounted for a substantial share in the power generation mix. In Germany, for example, both hard coal and lignite (jointly 30%) and nuclear (12%) still account for more than 40% of total annual net power production (Source: IEA).

Electricity generation by source
in TWh, 2019



Source: IEA

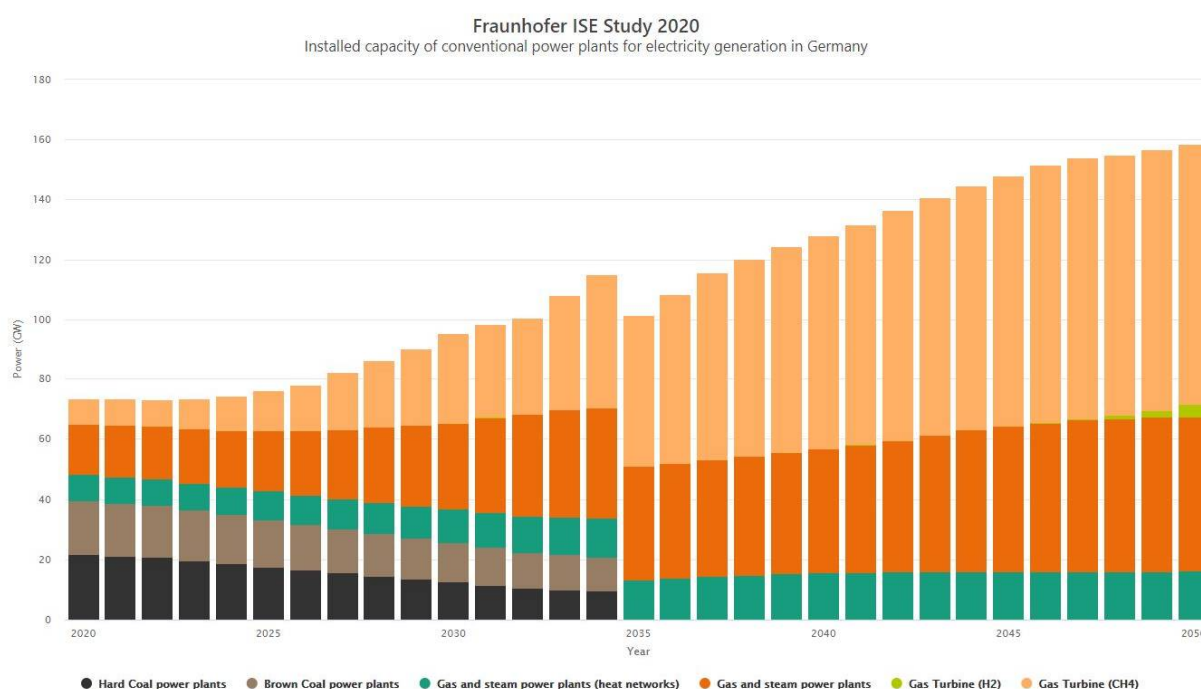
As renewable energies in European countries currently typically account for less than 50% of annual power production (42% in Germany in 2019) and show by nature a high fluctuation over time in power generation – covering from 80% to as little as 10% of total electricity demand depending on weather conditions (Source: *Agora Energiewende database Power Generation and Consumption, 2021*) – the national coal and nuclear phase out plans will likely result in a gap in power generation which cannot be timely bridged or offset by installing infrastructure for electricity production and storage from renewable sources.

Against this background, transitioning to natural gas-fired power plants can pose an attractive and possibly the only viable solution for countries facing a coal and/ or nuclear phase-out (Source: *CEPS*). The CO₂ emissions associated with the production of a kilowatt hour of electricity from natural gas-fired power plants (382 g CO₂/kWh) are less than half the emissions generated by hard coal-fired power plants (847 g CO₂/kWh), and only approximately one third of those from lignite-fired power plants (1,148 g CO₂/kWh) (Source: *Source: Zukunft ERDGAS e.V.: Erdgas in Deutschland – Zahlen, Fakten und Trends für das Jahr 2019, 2020*). Consequently, a large-scale switch from coal-based to gas-fired plants has the potential to achieve significant emission reductions in the power sector. In addition, the already prevailing price advantage of natural gas compared to lignite and coal may even be accelerated by a potential increase in the price of Emissions Trading System ("ETS") allowances or the introduction of carbon taxes and regulation of plant emissions (Source: *CEPS Research Report: The future of gas in Europe: Review of recent studies on the future of gas*).

In addition to the ecological advantages, there are a number of other positive aspects of natural gas-fired power plants that suggest that these could play an essential role in the sustainable energy systems of the future. Gas-fired power plants, for example, are highly efficient and robust even under extreme weather conditions, can be ramped up and down flexibly allowing for a more rapid adjustments in power supply and are generally associated with lower specific investment costs compared with coal-fired power plants (Source: *Wuppertal Institut, DIW Berlin, EcoLogic: Phasing Out Coal In The German Energy Sector - interdependencies, Challenges And Potential Solutions, 2019*). Especially as we believe that the total energy supply will become more volatile in the future due to the remaining weather dependence of renewable energies, natural gas – given its high storability at large scale across seasons – can represent a technically and economically attractive "back up" solution to ensure a secure and reliable power generation during times of insufficient PV and wind feed-in caused by adverse weather conditions (Source: *United Nations Economic Commission for Europe ("UNECE"): How natural gas can support the uptake of renewable energy, 2019*). The UNECE concludes: "Indeed, the ability of natural gas to provide a relatively low

carbon backup at peak energy usage times rather than play a traditional role of round-the-clock baseload may prove to be its greatest contribution to the energy transition" (Source: UNECE: *How natural gas can support the uptake of renewable energy*, 2019).

Due to the essential bridge role of carbon-friendlier fossil fuels in the context of national coal and nuclear phase out strategies on the one hand and in securing countries' energy supply in times of increasingly volatile renewable energy generation on the other, the role of natural gas in the power sector has already become more prominent over the last years. While natural gas accounted for only 10% of German electricity production in 2015, this share has increased to 15% in 2019, representing an annual growth rate of approximately 11% (Source: IEA: *Data and statistics database*, 2020). We believe that going forward, natural gas will continue to play a critical role in primary energy demand and an increasingly important role in power generation until 2030 and beyond. As shown in the chart below, which has been prepared on the basis of data sourced from the Fraunhofer ISE Study 2020, an almost five-fold increase in natural gas-based power production in Germany can be expected until 2050 (Source: *Fraunhofer ISE Study 2020: Wege zu einem klimaneutralen Energiesystem*, 2020), which we believe will result in a significant increase in investments in natural gas power plants and the necessary periphery.



Even without taking these investments into account, the current draft of the network development plan (the "NDP") recently drafted by the German TSOs (Source: *FNB Gas NDP 2020-2030 (Draft)*) spanning the years between 2020 and 2030 shows substantial investment volumes for the development of the gas transmission networks. The NDP sets forth all required measures for the transmission network to operate safely and reliably in the next ten years, *i.e.*, all relevant measures for enhancing, reinforcing and expanding the network in line with requirements and for ensuring security of supply (Source: *Website FNB Gas*). Based on the draft 2020-2030 network development plan, the German gas TSOs are planning to invest a total of approximately EUR 8.9 billion in the German gas infrastructure, approximately EUR 1.6 billion more than stated in the previous NDP 2018-2028 (Source: *FNB Gas NDP 2020-2030 (Draft)*; *FNB Gas NDP 2018-2028*). This total volume includes the investment required to expand the transmission network by more than 1,700 kilometers and realize compressor stations with a total size of more than 400 MW (Source: *FNB Gas NDP 2020-2030 (Draft)*). As mentioned above, these estimates do not include the necessary investments for the installation and connection of the numerous natural gas power plants needed to offset the loss of coal and nuclear power as indicated by the above scenario.

9.2.2.2 Carbon- capture, utilization and storage technology

Carbon-capture, utilization and storage ("CCUS") encompasses a suite of technologies to capture carbon dioxide, for example, released by power generation or industrial processes that are based either on fossil fuels or biomass,

or directly from the atmosphere. If it cannot be used directly on-site, the captured CO₂ gas is typically compressed and transported to be used in a range of different applications, or permanently stored in deep geological formations (incl. depleted oil and gas reservoirs or saline formations) (*Source: IEA Website: A new era for CCUS, 2020*).

CCUS technologies can potentially offer significant strategic value in limiting the emissions associated with the combustion of natural gas and hence the transition towards a carbon-free economy. Apart from the energy sector, CCUS is also important for hard-to-abate sectors of the economy such as in cement, iron and steel production, chemicals and or synthetic fuel production for long-distance transport (especially aviation and long-haul heavy truck transport). However, the adoption rate of CCUS technologies will likely depend on their relative cost development and governmental support.

9.2.3 Natural gas value chain

The natural gas value chain can generally be divided into three sectors, each of which in turn consists of diverse subsectors and players. Each part of the energy value chain has its own specific characteristics, business models and industry trends, which can differ from geography to geography. Some companies in the energy sector are present in only a single part of the value chain, while others are integrated and cover several parts. We primarily address the midstream sector of the natural gas industry.

9.2.3.1 Upstream

Upstream activities include gas exploration, production and extraction of gas from natural resources. Upstream players engage in numerous activities, including preliminary exploration, drilling of exploratory wells, as well as extraction of the gas to the surface. Players active in the exploration & production ("E&P") sector are diverse, ranging from private family-run businesses that operate a small number of wells, to multinational and fully-integrated corporations with global activities (e.g., ExxonMobil, Royal Dutch Shell, Chevron, BP and Total). Besides the traditional E&P companies, the upstream sector also includes a large number of specialized supply companies, providing a broad range of services, technologies and products to E&P customers, including, for example, drilling rigs, specialized drilling pipes, valves and fittings, separations systems, storage tanks or other raw materials. Based on natural occurrence of fossil fuels, the upstream sector is largely concentrated in gas-rich regions such as Russia, the Middle East, Africa or North America (*Source: International Association of Oil & Gas Producers: Production Indicator Map 2019, 2019*).

9.2.3.2 Midstream

The natural gas midstream sector covers all activities required to bring the gas from the location of its extraction to refineries and end-consumers in the desired form. The first step required in this context is usually the field processing, which includes, for example, gas-oil separation, product measurement, removal of waste products as well as temporary storage before transport. Storage is a crucial activity of the midstream segment, as it helps to maintain a balance in the supply and demand on the international gas market. The most commonly used types of storage include underground salt caverns or depleted gas wells.

As the end-users in the population centers are rarely located close to gas producing areas, the transportation of the natural gas represents a major part of the midstream segment. Gas transportation can generally occur either in a gaseous state through pipelines or, if the gas is transported to overseas markets, in a liquefied state (then referred to as Liquefied Natural Gas or LNG) by specialized tankers. Pipelines can broadly be classified into transmission and distribution grids: transmission grids transport gas over long – potentially even cross-border – distances at high pressure, often starting directly at the production plant, while distribution lines connect the network to the downstream market, providing low-pressure natural gas to refineries and resellers. Overall, the German gas grid consists of more than 511,000 km of pipelines, of which approximately 40.000 are long-distance transmission pipelines (*Source: BMWi Website: Erdgasversorgung in Deutschland*). Apart from this grid infrastructure, the transportation of natural gas also requires diverse other assets such as compressor stations, gas pressure regulating and metering stations. Finally, storage technology is important for the midstream segment because it ensures availability and the security of supply.

9.2.3.3 Downstream

The downstream sector involves all players and activities aimed at preparing and distributing the natural gas for consumption by the final end-consumers. This sector covers a wide range of companies, including oil refineries, petrochemical plants, natural gas distributors and retail outlets, that either process the gas directly or remarket and -distribute it to the eventual end-users such as gas-fueled power plants, households, petrol stations or industrial clients.

9.2.4 Market participants and regulatory frameworks in the addressed midstream sector

We mainly provide technologies, products and services to the midstream or transmission segment of the German natural gas value chain. Whereas most European midstream gas markets have historically been largely state-controlled with very few large grid operators, the German gas network has always been a primarily privatized market with a highly fragmented landscape both in the transmission and the distribution grid. While the market has already experienced a substantial consolidation over the last decades, the German gas grid remains one of the most complex in Europe, covering a total of 16 TSOs, over 700 DSOs as well as and a large number of additional participants such as storage operators and gas traders (*Source: Website FNB Gas*).

9.2.4.1 Transmission System Operators

Transmission Systems Operators ("**TSOs**") are key participants of the midstream activities. They operate and maintain long-distance (*i.e.*, cross-regional and cross-country) natural gas grids, consisting of high-pressure gas pipelines as well as the associated conditioning and processing stations such as LNG terminals, regasification plants, compressor stations, storage and measurement facilities as well as gas pressure regulating and metering stations.

Today, only about 6% of consumed gas in Germany is produced in Germany, whereas the remaining 94% are covered by imports, either via long-distance pipelines or by means of LNG imports (*Source: Website FNB Gas*). Consequently, TSOs typically take over natural gas at a national border crossing or LNG terminal and feed it into their underground high-pressure transmission grid for long distance transport and transit. Germany's 16 TSOs operate one of the most complex natural gas transmission grids in Europe, with a total length of more than 40,000 kilometers (*Source: Website FNB Gas*). Gas is transported at high pressure levels of up to 100 bars through dedicated pipelines with a diameter of up to 140 centimeters. To maintain high pressure over large distances, compressor stations have to be installed every 100-200 kilometers. The high-pressure transmission grid of these TSOs is directly connected to the denser distribution grids of DSOs. In terms of grid reliability, the gas TSOs traditionally manage to keep interruptions to the national gas supply – as measured by the System Average Interruption Duration Index (SAIDI) – to approximately 1 minute per end-consumer (*Source: Website Federal Network Agency (Bundesnetzagentur) (the "**Federal Network Agency**") Kennzahlen der Versorgungsunterbrechungen Gas, 2020*).

Since 2011, the 16 German TSOs are – depending on their geographical footprint – part of one of the two market areas: NetConnect Germany (NCG) and GASPOOL. On behalf of the TSOs, the operators of these market areas (GASPOOL Balancing Services GmbH and NetConnect Germany GmbH & Co. KG) coordinate the activities of the TSOs, take over the operation of virtual trading points, balancing group management and control energy management.

GASPOOL covers the transmission grids of the 11 operators ONTRAS Gastransport GmbH, GASCADE Gastransport GmbH, Gastransport Nord GmbH, Gasunie Deutschland Transport Services GmbH, Nowega GmbH and Ferngas GmbH, Open Grid Europe GmbH, Fluxys Deutschland GmbH, Lubmin-Brandov Gastransport GmbH, NEL Gastransport GmbH and OPAL Gastransport GmbH & Co. KG. By contrast, NetConnect Germany covers the transmission grids of the six other TSOs bayernets GmbH, Fluxys TENP GmbH, GRTgaz Deutschland GmbH, Open Grid Europe GmbH, terranets bw GmbH and Thyssengas GmbH. By October 2021, both market areas are to be combined to create one of the most liquid gas trading markets in Europe and increase the level of competition in accordance with section 21 of the German Ordinance on Gas Grid Access (*Gasnetzzugangsverordnung*) (*Source: Website Federal Network Agency: Bundesnetzagentur begrüßt einheitliches Marktgebiet Gas, 2018*).

German natural gas TSOs generate revenue by charging so-called grid fees that grid users have to pay for the usage of the TSOs' transmission network in accordance with section 21 of the German Energy Industry Act (*Energiewirtschaftsgesetz*). In accordance with certain regulations, including Commission Regulation (EU) 2017/460 of March 16, 2017 establishing a network code on harmonized transmission tariff structures for gas, as well as the German Ordinance on Gas Grid Fees (*Gasnetzengeltverordnung*), the grid fee is passed on to the end-consumer and covers all infrastructure-related costs, invoicing and metering and levies as well as the cost of operating the grid and maintaining its reliability. The German Federal Network Agency (*Bundesnetzagentur*), pursuant to the German Ordinance on Incentive Regulation (*Anreizregulierungsverordnung*) sets a revenue cap that is valid for five-year regulatory periods and defines the permissible amount that the grid operator may allocate to its customers in the form of grid charges. The allowed revenue is generally determined based on the operators' actual operational costs plus imputed costs, including certain return on equity at a level set by the German Federal Network Agency (*Bundesnetzagentur*) for each of the five-year regulatory periods.

To incentivize the TSOs to manage their operations more cost efficiently, authorities set clear efficiency improvement targets, which are determined by a national efficiency benchmarking among all TSOs and DSOs. By setting a fixed amount of revenue for each year over the five-year period, the network operators have an incentive to increase productivity and lower costs in order to increase its potential profits.

The allowed return on invested capital includes both a risk-free rate of return, determined on the basis of the ten-year average current yield of fixed interest securities, as well as a risk-premium, which indicates the premium demanded by an investor to invest in gas and electricity networks instead of an alternative, risk-free project (*Source: Website Federal Network Agency: Incentive regulation of gas and electricity network operators*). The regulated return on investment for gas and electricity TSOs is currently 7.39% as determined by the German Federal Network Agency (*Bundesnetzagentur*) in its decision dated October 5, 2016 (*Source: Website Federal Network Agency: Incentive regulation of gas and electricity network operators*). A company can only achieve this defined rate of return if it reaches an efficiency level of 100% as determined in the efficiency benchmarking and the actual costs of the company at the most correspond to the defined revenue cap.

TSOs are required to regularly submit a draft for an NDP spanning a ten-year period to the German Federal Network Agency (*Bundesnetzagentur*) (*Source: Internal Gas Market Directive - Directive 2009/73 / EC, implemented in Germany with the amendment of the Energy Industry Act (Energiewirtschaftsgesetz)*), outlining all required investments in the gas infrastructure to continue to ensure a smooth and reliable gas supply. To this end, the TSOs develop the NDP through a series of feedback loops and consult it again with gas market participants. As a final step, the Federal Network Agency confirms and publishes the final NDP.

The TSO's procurement procedures generally depend significantly on their respective ownership structure. While many European gas TSOs are still largely held by the respective states or state-controlled entities others are – especially in the fragmented German TSO landscape – in private ownership. Privately-owned TSOs are generally free to follow their own procurement policies. In most cases, these policies specify the performance of periodical (typically every 1-3 years) prequalification processes in which the TSOs preselect a limited number of preferred vendors, which are then consulted for each individual project. For this purpose, TSOs provide their vendor base with a link to a procurement platform on which the details of the tender can be retrieved and offers and relevant documentation can be submitted. We are not only prequalified for all German TSOs but also for a number of international TSOs, especially in neighboring European countries such as Denmark, Poland, Netherlands and Belgium. Contrary to privately held TSOs, state-owned or -controlled TSOs are generally obliged to follow the provisions of the European Directive on Tendering Procedures in Utility Sectors and those of the Tendering Procedures (Special Sectors) Decree and publish calls for tenders on the official EU tenders website ("**TED**"). The specific tendering procedure is described in each individual notice. In most cases, however, the tender process also includes a project-specific prequalification round in which potential vendors are screened and pre-selected based on references, technical capabilities and commercial criteria. Only after successful prequalification can vendors receive full access to the precise tender details and submit their offers and documentation. If the expected volume falls below a certain threshold, individual projects may also be tendered on a national basis (in the *Submissionsanzeiger*) or – in the case of low project volumes – without public tender process.

9.2.4.2 Distribution System Operators

Distribution System Operators ("**DSOs**"), such as municipal utilities or other energy supply companies, are responsible for transport and distribution of gas through distribution lines primarily to the downstream market, where the energy is transformed into finished products and provided to end customers in the local communities. As the required transport distance is typically much lower, the pipelines used in distribution grids usually have a significantly smaller diameter (only a few decimeters in the final distribution), are operated at lower pressure and are more branched out. While transmission occurs at pressures of up to 100 bars, the pressure drops to 50 to 20 millibars for street or house connections.

Examples of larger DSOs in Germany include Westnetz GmbH, EWE Netz GmbH, bnNetze GmbH, Nowega GmbH, NEW Netz GmbH, Gasnetz Hamburg GmbH, Energienetze Bayern GmbH & Co. KG, Energienetze Mittelrhein GmbH & Co. KG.

9.2.4.3 Other industry participants

Other participants are also active in the German gas market, including storage operators and traders. According to FNB Gas, there are 25 storage operators and 47 gas storage facilities distributed across the country (*Source: Website FNB Gas*). Gas is usually stored during the summer mostly in underground facilities, when gas consumption is low in Germany due to warmer weather conditions. Storage operators can store around 24 billion cubic meters of gas in this way, which corresponds to a storage capacity of around 234 TWh (*Source: Website FNB Gas*). This mechanism ensures there are no supply bottlenecks even in the event of unexpectedly long and cold winters or other unforeseeable events. Traders buy gas from importers or domestic producers and sell it to consumers. Presently, gas trading is mostly carried out via virtual trading points (*Source: Website FNB Gas*).

9.2.5 Addressable projects and market size

We provide a broad range of services and solutions for TSOs and DSOs within the European, currently particularly the German, gas transmission market. These include the designing, building, operation and maintenance of different types of grid infrastructure, including the required civil engineering works, pipe construction up to DN 1,400, manual and automatic welding procedures or weld coating, as well as the designing, building, operation and maintenance of all associated plant infrastructure, such as compressor stations and gas pressure regulating and measuring stations.

As described in this section, any newly built project or extension to the German gas transmission grid has to be laid out by the TSOs in an NDP draft and submitted to the Federal Network Agency for approval. While individual projects in the NDP may be temporarily delayed, they are very rarely cancelled as they have already been recognized as system critical throughout the public consultation and approval process. On the basis of the revolving 10-year NDP, we have visibility on the future grid infrastructure investment volume, which allows us to assess our addressable market size over a period of several years. The NDP, however, does not capture our entire addressable market in the gas industry. In addition to the projects outlined in the NDP, we have significant additional market opportunities, primarily in new projects added after publication of the NDP, infrastructure projects for large energy consumers directly connected to the grid (*e.g.*, power plants and industrial clients), grid upgrade measures, recurring service & maintenance contracts as well as international projects.

We participated in approximately 35% of all German NDP projects of more than EUR 2 million in investment volume in the high-pressure natural gas market in the period between 2012 and 2018.

9.2.5.1 Addressable projects and market volumes based on the TSO NDP

The below table contains the total investment volumes as outlined by the network development plans gas since 2012 (*Source: Database FNB Gas*).

Year	NDP investment volume
NDP 2012-2022	EUR 2.2 billion
NDP 2014-2024	EUR 2.8 billion
NDP 2016-2026	EUR 4.5 billion
NDP 2018-2028	EUR 7.3 billion
NDP 2020-2030 (Draft).....	EUR 8.9 billion

As can be seen, the TSOs most recent draft for the 10-year development plan for the period from 2020 to 2030 outlines an accumulated investment volume of around EUR 8.9 billion (*Source: FNB Gas – NDP Gas 2020-2030 (Draft)*). This total volume includes an investment volume of approximately EUR 2.7 billion for projects which were originally planned to be completed by 2018 or 2019 but are currently still under construction or not yet in operation. In addition to this, approximately EUR 5.2 billion of investments are planned for projects with a planned completion until the year 2026, resulting in an expected annual volume of approximately EUR 1 billion over the next 5 years. Projects beyond the first 5-6 years of the NDP planning horizon are usually determined in the course of the next NDP cycles. We generally consider all projects included in the NDP as addressable for us. The addressable volume share for us of each individual project depends heavily on the concrete project type at hand and the contractual stipulations with the respective TSOs realizing the project. In some cases, materials are provided by the contracting TSO, which renders this share of the project un-addressable for us. In other cases, materials have to be procured by us through which they become part of the addressable project volume. Based on our project experience for TSOs for almost 60 years, we believe that the average addressable share of projects can be estimated at approximately 40%. (*Source: Management estimate*) This results in a total addressable market volume based on the NDP projects of approximately EUR 2 billion (EUR 5.2 billion x 40%) by 2026, which we believe is realistic, based on previous experience and the general industry outlook for gas.

9.2.5.2 Additional addressable markets and projects

In addition to the addressable projects outlined in the NDP, we believe there are substantial additional market opportunities, primarily in new infrastructure projects added after publication of the NDP, projects for industrial customers, upgrades to the existing grid, service and maintenance, and international projects.

Any NDP can only contain network expansion measures that have been deemed essential at the time at which the plan was drafted. New transmission grid requirements that become apparent subsequent to the publication cannot be added to the project list at a later stage even though they have to be realized in the course of the respective regulatory period. This is why we typically see a number of addressable projects, which are not included in the original NDP. As the timeline of the German coal phase out was only recently decided and will likely have significant effects on the required gas transmission infrastructure, we believe there is a particularly large additional potential over the next couple of years.

Further, the NDP only takes into account public projects, *i.e.*, measures which are required to supply a cluster or large number of end-users with energy. Grid expansion measures to provide single large gas consumers, especially large industrial clients, with sufficient gas or works for customers that operate their own gas infrastructure on property, on the contrary, are not included. In these cases, Vorwerk is frequently contacted to plan and construct the piping on the clients' grounds as well as to realize all required plant infrastructure such as gas filters and dust liquid separators, metering stations or gas analysis.

Required upgrades to the existing grid are an additional addressable market potential, which by default is not included in the TSOs' NDP. Typical upgrade measures include, for example, the rerouting of existing transport infrastructure (*e.g.*, in the context of road diversions or extensions), the replacement of damaged or corroded pipelines and valves or all types of renovation works that naturally become necessary periodically over the lifetime of transmission infrastructure assets.

Furthermore, we also have substantial additional opportunities in the service, maintenance & operations sector of the gas industry. This includes, for example, the inspection, function checks and maintenance of gas pressure controlling plants, inspection of pressure vessels, revision and repair of both stationary and nonstationary

electrical systems and equipment as well as a broad range of services related to piping networks, such as for example, gas detection service, route maintenance or the rectification of faults and suppression of interferences.

Lastly, based on our decade-long technological expertise and the completed prequalifications with major TSOs, we do not only operate in the German natural gas industry but also in other – currently primarily neighboring – European countries. Naturally, these projects are not included in the German NDP but represent additional addressable opportunities that we seek to further expand in the future. While a precise estimation of the individual additional market potentials is challenging, based on our extensive market experience, we estimate that the joint addressable market potential of the above sectors is in aggregate approximately equal to the size of the market based on the NDP by 2026. Altogether, we believe that addressable investments of EUR 5 billion until 2026 will be undertaken in the natural gas infrastructure market. As in the case with the NDP opportunities, we expect these opportunities to be distributed fairly equally across the years.

9.2.6 Competitive environment

We address the natural gas transmission market with a broad offering of solutions and services, including engineering, pipeline construction, plant construction, turnkey solutions and service & maintenance. Key competitors in this sector differ by technology.

With regard to all products and services related to pipeline engineering and construction, relevant competitors in this market include, for example, Max Streicher, PPS Pipeline Systems, Denys, Anton Meyer or Ludwig Freytag. While all of these players also offer a portfolio of products and services related to gas transmission infrastructure, this typically only represents one of many segments. Other core segments of key competitors include for example civil and structural engineering, the manufacturing of amusement rides or raw and construction materials.

In gas-related plant construction, including, for example, compressor stations and gas pressure regulating and measuring plants, we typically see an overlap with the competitors in pipelines but also encounter a number of different players. Other than companies such as Max Streicher, RMT (Ludwig Freytag) or PPS, we also compete with large focused energy technology companies such as Bilfinger or smaller local competitors such as, for example, CeH4.

In the field of service, maintenance & operations, the most relevant competitors are generally the TSOs themselves, as these occasionally also operate and maintain their own infrastructure. Besides the TSOs, we consider companies like Spie, Bilfinger, Siemens Energy or Orsted relevant competitors in this field. Lastly, we also see a number of smaller and more specialized players, such as for example, CeH4.

9.3. The Addressed Electricity Market

9.3.1 General overview

On a global level, the last decades have witnessed a substantial surge in consumption of electrical energy. According to the International Energy Agency (IEA), global final electricity consumption has risen by c. 25% between 2010 and 2018 (*Source: IEA: Data and statistics database, 2020*). This increase, however, was strongly driven by a continued industrialization of developing countries, esp. in China (+73%) and India (+67%) (*Source: IEA: Data and statistics database, 2020*). On a European level, electricity consumption has shown a somewhat more moderate development with a slight decrease by 2% from 2010 to 2018 (*Source: IEA: Data and statistics database, 2020*). Despite the decrease in absolute consumption, however, the relative importance of electricity as an energy source has significantly increased over the last decades. While electricity only accounted for approximately 16% of total final energy consumption in Europe (EU-28) in 1990, this share has increased gradually by 5 percentage points to 21% by 2018 (*Source: IEA: Data and statistics database, 2020*).

In Germany, electricity is also gaining in importance at the expense of other fossil energy sources, such as coal. While in absolute terms total electricity consumption has seen a slight decline in line with the overall decline in energy consumption, the share of electricity has seen a gradual increase. Similar to the development on a European level, the share of electricity in total final energy consumption has gradually increased from 16% in 1990 to 20% in 2018 (*Source: IEA: Data and statistics database, 2020*). In terms of sectors of the economy, industry is still the largest consumer of electricity, accounting for approximately 42% of final electricity consumption,

followed by the commercial and public services (22%) and residential buildings (27%) sectors. With a mere 2%, transport still accounts for a small share of the overall electricity consumption (Source: IEA: *Data and statistics database, 2020*).

In light of increasingly ambitious de-carbonization targets, the German power sector has also already seen a substantial shift in energy sources, away from fossil fuels to renewable energy. While in 2010, the share of fossil-based electricity (*i.e.*, based on coal, lignite and gas) and nuclear still accounted for a total of 81%, this share has decreased significantly over the last years, reaching a low of 58% in 2019 (Source: IEA: *Data and statistics database, 2020*). Conversely, the share of renewables-based electricity has more than doubled from 19% in 2010 to 42% in 2019, thus placing Germany in the top third on a European comparison (Source: IEA).

9.3.2 Key drivers of our addressed electricity market

In light of accelerating climate change and increasingly robust de-carbonization goals, investments in the German electricity grid have seen substantial increases over the last years. Annual investments increased from around EUR 3.0 billion in 2010 to around EUR 8 billion in 2018 (Source: *Website BMWi: Investitionen in Stromnetze, 2019*). We see several – closely interrelated – key industry trends and drivers that influence the electricity market and will in our view promote and even accelerate this development. These drivers include: a rising electricity demand driven by accelerating electrification of traditionally fossil-dependent sectors (sector coupling), an increased integration of renewables in the power generation as well as a growing requirement of north-south transmission capacity.

9.3.2.1 Sector coupling

The concept of interconnecting the power sector with energy-intensive sectors ("**Sector Coupling**") such as building heating and cooling or the industrial sector is widely considered an important means to achieve long-term de-carbonization goals, especially as power generation continues to shift towards climate friendly sources. In addition to the de-carbonization effect, electrical devices are often more efficient than fossil fuel-based alternatives, which yields significant potential for large-scale efficiency improvements across sectors (Source: *Website EU Parliament: Sector coupling: How can it be enhanced in the EU to foster grid stability and decarbonize?, 2018*). Consequently, the German BMWi expects electricity to become the most important source of energy in the energy system (Source: *BMWi: Ergebnispapier Strom 2030-Langfristige Trends – Aufgaben für die kommenden Jahre, 2017*). Further, the BMWi predicts that electricity will cover roughly half of all of Germany's energy demand by 2050 – as compared to around one quarter in 2016.

Within industrial applications, fossil fuels are today typically used to provide process heat, especially for drying, melting or cracking, or as feedstock, *e.g.*, as input material for plastics. Electricity can help to reduce the reliance on fossil fuels of the industrial sector in two ways. First, it can indirectly contribute to replacing conventional fossil feedstock with low- or even zero-carbon alternatives, *e.g.*, to electrolyze hydrogen. Second, electricity has significant potential to serve as an alternative source of industrial process heat, especially in applications with low- (<100 °C) to medium (100-400°C) heat requirements. Potential pathways to electrifying intensive industrial processes have recently attracted the attention of the Federal government and large industrial companies with the goal of reducing carbon emissions in the industry sector by 50% by 2030 compared to 1990 levels (Source: *BMU: Climate Action Plan 2050 Executive Summary*).

A large-scale electrification of currently fossil-fuel based sectors will lead to substantial changes in future demand for electricity. In a recent study published by the Institute of Energy Economics at the University of Cologne (EWI), experts estimate that, driven by a significantly higher demand from electric mobility, but also from the heating and industrial sectors, Germany's annual (gross) power consumption could increase by up to 26% by 2030 – even after accounting for substantial efficiency improvements (Source: *Handelsblatt: Steigender Energiebedarf: Deutschland droht die Ökostrom-Lücke, 2020*).

9.3.2.2 Increased integration of renewables

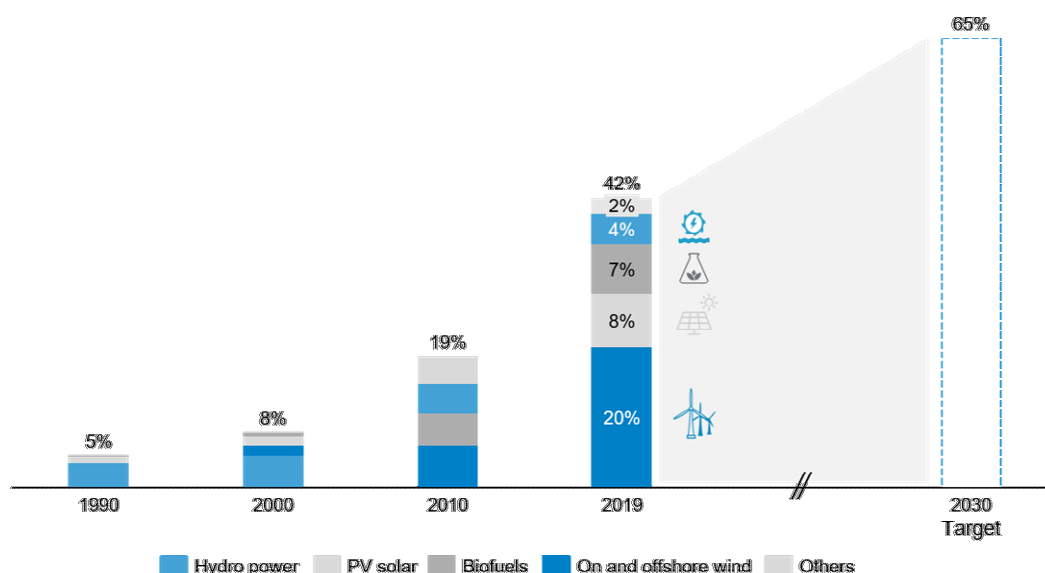
While sector coupling through large-scale electrification may be a critical step to reach global de-carbonization goals, it can only contribute to reduce overall greenhouse-gas emissions if the associated uptake in electricity consumption is met by sufficient capacity for power generation from renewables. International measures

implemented to tackle climate change have led to a massive increase in the adoption of renewable energy sources.

Since 1990, the share of renewable energy sources in electricity production has increased by a factor of more than 12. In 2010, renewable energies accounted for approximately 19% of total electricity production. By 2019, this share has risen to approximately 42%, representing an overall increase by more than 120% (Source: IEA: Data and statistics database, 2020). Based on this gradual growth in the share of renewable energy, Germany managed to reach the 35% target for 2020, as set out in the Renewable Energy Sources Act, one year ahead of the target year.

In terms of the renewables mix, the largest share of renewable electricity generated in Germany is currently wind power. Collectively, on- and offshore wind energy account for approximately 50% of total gross electricity production from renewable energy sources. Since 2010, total energy produced by wind turbines has more than tripled. The second most important renewable energy source with a share of approximately 22% are biofuels, and waste, closely followed by photovoltaics with a share of approximately 18%. Lastly, hydro energy contributed approximately 10% to the total gross electricity production from renewable energy sources (Source: IEA: Data and statistics database, 2020).

Share of renewable energy in total electricity generation



Source: IEA

In line with the new overarching net-zero goal for 2050, the German Federal Government is currently planning to shift to an electricity supply system that runs exclusively on renewable energies by 2050. To achieve this goal long-term, the government previously planned to continue to increase the share of renewables in electricity to 50% by 2030, 65% by 2040 and 80% by 2050 (Source: Erneuerbare-Energien-Gesetz 2012 (EEG 2012)). However, the German Federal Government has now committed to speed up the growth, to reach a share of 65% renewable electricity by 2030 (contingent on a corresponding expansion in grid capacity) (Source: Website Federal Government: Erneuerbare Energien - Ein neues Zeitalter hat begonnen, 2021).

9.3.2.3 Expansion of north-south transmission capacity

While European energy systems have traditionally relied heavily on large central energy generation units, renewable energies, especially the two currently leading sources solar and wind – are by nature far more decentralized, thus resulting in significantly more complex and distributed energy systems. Within Europe, wind power potential is located especially in the north (in particular in Scandinavia), whereas photovoltaic potential is found particularly in the sun-rich south of Europe. As the locations where renewable energies are produced are

often a significant distance away from where the energy is required, the rise of renewable energies leads to a substantial increase in need for supra-regional transport. It is estimated that existing global electricity grids will require up to 16 million kilometers of line extension from 2020 to 2030, which is around 80% more than the previous decade (Source: IEA: *Electricity security in tomorrow's power systems*, 2020).

In Germany, the installed capacity of wind energy has seen an increase in recent years from 6% of total electricity production in 2010 to more than 20% by 2019 (Source: IEA: *Data and statistics database*, 2020). Due to favorable wind conditions, the vast majority of this installed capacity is located in the lowlands in northern Germany, in or by the North and Baltic Sea. This stands in stark contrast to the distribution of energy demand, as large metropolitan areas and energy-intensive industrial clusters are predominantly located in the country's south and west. This imbalance is set to become even more acute once the last nuclear power stations are removed from the grid by the end of 2022 (Source: IEA: *Germany 2020 Energy Policy Review*, 2020). On windy days in particular, this creates a massive demand for long-distance transport of renewable energies from the north to the south, which – given limited internal transmission capacity – poses a serious challenge for the existing transmission grid. The risk of network congestion is further aggravated by EU electricity market regulation (2019/943) to further promote and facilitate cross-border electricity trading. According to this regulation, at least 70% of national transmission capacity has to be made available for cross-border trading (Source: *BMW i Action Plan Bidding Zone*, 2019). As Germany's geographical location makes it an important transit country within the European internal electricity market, this regulation creates substantial demand for additional transmission capacities. As a result of these developments, the Federal Network Agency has approved several major high-voltage direct current power lines connecting the north to the south of Germany ("electricity highways").

Traditionally, most transmission cables have been built as overhead lines. Given the extensive volume of additional cable lines required in the next years and growing public concerns about the intrusion of residential areas and interference with sensitive landscapes, however, the building of overhead lines has increasingly met with severe public protest. To promote public acceptance of the north-south connectors and avoid further project delays, the German legislator passed the German Federal Energy Line Expansion Act (*Energieleitungsausbaugesetz*). Under this law, underground cables have become the new standard for new-build high voltage direct current ("HVDC") projects, whereas overhead lines will only be used as exceptions. Further, due to concerns about electromagnetic radiation and noise, overhead lines close to residential areas have been banned altogether. While the law is expected to accelerate the realization of the required north-south connections significantly, it also has a substantial impact on the envisaged costs of the projects. Overall, it is estimated that the costs for underground cable are three to ten times higher than overhead lines (Source: *en:former: High above the trees or under the ground*, 2018), resulting in expected additional costs for the major underground DC projects in Germany of EUR 3 to 8 billion compared to an overhead construction (Source: *Website BMW i: FAQ Netze und Netzausbau*). This is related to the complex drilling procedures, but also to the preparatory work, as soil samples have to be taken significantly more frequently than for overhead lines. The layers of sediment are then removed one by one and later reapplied in reverse order (Source: *en:former: High above the trees or under the ground*, 2018).

9.3.3 Energy value chain

Similar to the gas industry, the electricity industry can broadly be divided into three sectors: Electricity generation, transmission and distribution.

9.3.3.1 Electricity generation

The electricity value chain starts at the point where electricity is generated from diverse energy sources, including fossil fuels (lignite, coal, gas), renewables (wind, solar) and nuclear. Broadly speaking, electricity generation can be aimed either at the production of one single form of energy (*i.e.*, electricity) or on the production of multiple (*e.g.*, co-generation of electricity and heat in combined heat and power plants). In addition, power generation can be categorized as either dispatchable (*i.e.*, its power output can be controlled) or intermittent power generation from renewable sources depending on the availability of these resources (such as wind or solar irradiation). Power can also be produced centrally (*e.g.*, in large power plants) and de-centrally (*e.g.*, in smaller generation facilities). The electricity generation sector is currently undergoing a fundamental transition, not only due to a rapid shift away from conventional fossil towards renewable fuels, but also – and strongly interrelated – the shift away from a

conventionally centralized generation model towards a more decentralized one with a large multitude of smaller local energy producers, requiring the management of energy flows in multiple directions.

Major players active in the German power generation include RWE AG, Vattenfall AB, LEAG and EnBW AG.

9.3.3.2 Electricity transmission

The transmission sector generally enables the long-distance transportation of generated electricity from central power generation units, such as fossils-based power or large renewable plants (especially wind farms or hydro plants), to regional distribution networks, or major end-consumers (especially industrial users) that can also be directly connected to the transmission network. As such, transmission provides the backbone of any electricity grid. To account for the large amounts of energy that need to be transported and in order to minimize energy losses and cost of transmission over large distances, electrical power transmission usually occurs at ultra- or extra-high voltage levels (*i.e.*, 220 and 380kV for most European countries), using specialized high-voltage cable solutions. As the electricity delivered by power generation units typically has a lower current, long-distance power transmission typically starts with the stepping up of electrical energy from a lower to a higher voltage level in electrical transformer stations. Depending on technical requirements in some cases, dedicated AC/DC converter stations may also have to be installed. In Germany, the total length of the main transmission grids is approximately 37,000 kilometers (*Source: Website BMWi: Ein Stromnetz für die Energiewende*).

9.3.3.3 Electricity distribution

The distribution grid is directly linked to the transmission grid at high-voltage substations and switching substations, and encompasses all infrastructure and market participants required to distribute electricity to customers in a particular municipality or geographic area or - in some cases – supply power to other DSOs. As the amount of energy transported and the distances are typically much lower, the players responsible for operating the distribution grid (DSOs) mainly rely on medium to low-voltage levels on overhead cable lines. Besides the cable network itself, DSOs typically own and operate distribution assets such as distribution stations, transformers, switchgear, distribution cables as well as overhead lines, masts, poles and switches and use telecommunication lines to control the distribution grid to support system operation, smart metering and smart grid systems. The DSOs take over from the TSOs to provide downstream services, operating a particular part of the grid, but also provide the electricity directly to end customers.

9.3.4 Market participants and regulatory frameworks in the addressed transmission sector

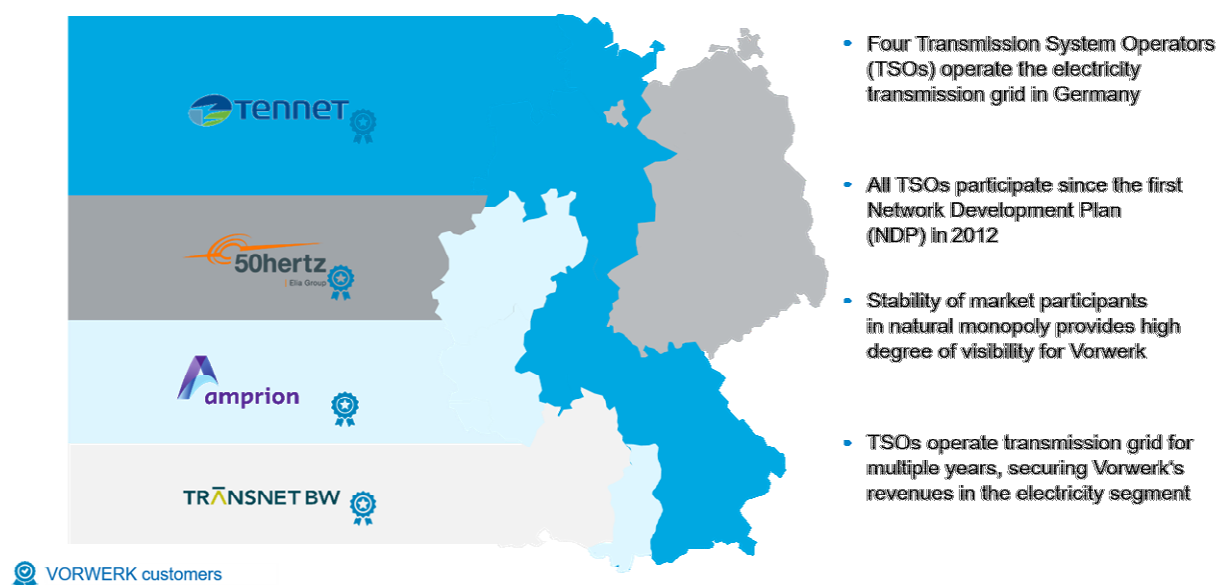
In most European countries, the maximum voltage transmission grids are developed, operated and maintained by one or a handful of TSOs, responsible for managing the high-voltage grids and ensuring a secure and uninterrupted flow of power to consumers across all parts of their respective geographies. TSOs are not only required to continuously monitor the quality and reliability of the high-voltage grid but also to actively steer the balance between production and consumption on an international level. For this reason, TSOs typically collaborate closely with other international TSOs to account for electricity surpluses and shortages across national borders. To facilitate intra-European cooperation and foster the development of a more integrated European electricity market, the national TSOs are organized in a European Network of Transmission System Operators for Electricity ("**ENTSO-E**"). The network currently comprises 42 TSOs from 35 countries. In terms of grid reliability, the German electricity TSOs have continuously decreased interruptions to the national electricity supply – as measured by the System Average Interruption Duration Index (SAIDI) – over the years, to approximately 12 minute per end-consumer in 2019 (*Source: Website Federal Network Agency: Kennzahlen der Versorgungsunterbrechungen Strom, 2020*).

The German electricity transmission grid is developed and operated by four TSOs with the responsibility to balance the network system, with each TSO covering a specific geographic area: Amprion, TenneT, TransnetBW and 50Hertz. Amprion owns and operates the grid in Western Germany down to the borders of Switzerland and Austria. TenneT operates approximately 40% of the total German transmission grid and is active in Central Germany from north to south. Due to this geographic location, TenneT is responsible for connecting offshore wind parks in the North Sea to the German grid. 50Hertz is active in northern and eastern Germany. As a large part of Germany's wind installations are located in their area, 50 Hertz is responsible for connecting offshore wind farms

in the Baltic Sea to the German grid. TransnetBW GmbH is the smallest among the four TSOs with a total grid size of 3,200 kilometers.

Transmission System Operator	Location	Network size	Revenue (in EUR billion, 2019)
TenneT TSO GmbH	Bayreuth	23,555 kilometers	4.4
50hertz Transmission GmbH	Berlin	10,500 kilometers	10.7
Amprion GmbH	Dortmund	11,000 kilometers	14.5
TransnetBW GmbH	Stuttgart	3,200 kilometers	6.9

Overview of German electricity TSOs



Like the German natural gas TSOs, the German electricity TSOs' business operations are governed by detailed rules, including the German Energy Industry Act (*Energiewirtschaftsgesetz*), the German Ordinance on Gas Grid Fees (*Gasnetzentgeltverordnung*) and the German Ordinance on Incentive Regulation (*Anreizregulierungsverordnung*). German electricity TSOs also generate revenue by charging so-called grid fees that grid users have to pay for the usage of the TSOs' transmission network in accordance with section 21 of the German Energy Industry Act (*Energiewirtschaftsgesetz*). In accordance with regulations, including Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas, as well as the German Ordinance on Gas Grid Fees (*Gasnetzentgeltverordnung*), the grid fee is passed on to the end-consumer and covers all infrastructure-related costs, invoicing and metering and levies as well as the cost of operating the grid and maintaining its reliability. The German Federal Network Agency (*Bundesnetzagentur*), pursuant to the German Ordinance on Incentive Regulation (*Anreizregulierungsverordnung*) sets a revenue cap that is valid for five-year regulatory periods and defines the permissible amount that the grid operator may allocate to its customers in the form of grid charges. The allowed revenue is generally determined based on the operators' actual operational costs plus imputed costs, including certain return on equity at a level set by the German Federal Network Agency (*Bundesnetzagentur*) for each of the five-year regulatory periods.

In order to drive the TSOs to manage their operations more cost efficiently, authorities set clear efficiency improvement targets, which are determined by a national efficiency benchmarking among all TSOs and DSOs. By setting a fixed amount of revenue for each year over the five-year period, the network operators have an incentive to increase productivity and lower costs in order to increase its potential profits.

The allowed return on invested capital includes both a risk-free rate of return, determined on the basis of the ten-year average current yield of fixed interest securities, as well as a risk-premium which indicates the premium

demanded by an investor to invest in gas and electricity networks instead of an alternative, risk-free project (Source: Website Federal Network Agency: *Incentive regulation of gas and electricity network operators*). The regulated return on investment for gas and electricity TSOs is currently 7.39% as determined by the German Federal Network Agency (*Bundesnetzagentur*) in its decision dated October 5, 2016. A company can only achieve this defined rate of return if it reaches an efficiency level of 100% as determined in the efficiency benchmarking and the actual costs of the company at the most correspond to the defined revenue cap.

The German Federal government is currently reviewing measures to further increase incentives for TSOs to invest in the required grid expansion. As the Federal Government's Bidding Zone Action Plan states: "It is important that the rules are designed in such a way as to promote a rapid increase in transport capacity in the transmission network." (Source: *BMWi Action Plan Bidding Zone, 2019*).

According to Section 11 of the German Energy Management Act, the four TSOs have a social mandate to "operate and maintain a stable, reliable and efficient power supply grid in an unbiased manner, optimizing, enhancing and expanding this in line with demand" (Source: *NDP Electricity Website*). In order to fulfil this social mandate in their specific regions, each TSO is obliged to define, plan and implement grid optimization and expansion measures for its own control area. Since 2012, the defined measures of all four TSOs are to be integrated in an overall NDP, which is drafted in two-year cycles. Through a series of consultations, the final NDP is developed. It clearly defines the future energy transmission requirements based on expected electricity demand for a given reference year, it does not contain any information about actual geographic transmission-line routings or the precise technological solutions to be employed. These are defined subsequently by the Federal Network Agency (*Bundesnetzagentur*) and in the relevant regional planning requirements specified by the federal state licensing authorities. The German Federal government is currently reviewing measures to further increase incentives for TSOs to invest in the required grid expansion. As the Federal Government's Bidding Zone Action Plan states: "It is important that the rules are designed in such a way as to promote a rapid increase in transport capacity in the transmission network." (Source: *BMWi Action Plan Bidding Zone, 2019*).

As Germany is an important transit country for large volumes of electricity, German TSOs also have to take into account expected energy supply and demand from neighboring countries. This requires that the German NDP is also compatible with the Ten Year Network Development Plan ("**TYNDP**") drafted by the ENTSO-E. The TYNDP is also developed and published for public consultation every two years, most recently in 2018.

The TSO's procurement procedures generally depend significantly on their respective ownership structure. While many European electricity TSOs are still largely held by the respective states or state-controlled entities others are – especially in the fragmented German TSO landscape – in private ownership. The procurement policies for privately-owned and state-controlled TSOs are generally the same as those for natural gas TSOs as described above. In some cases, TSOs award the contract to large cable producers (such as ABB, NKT or Prysmian) who then in turn rely on subcontractors to lay the cable line on their behalf. For this reason, we not only look back on a long-standing business relationship with most TSOs and DSOs but also with most of the leading European cable producers, relationships originated largely from Bohlen & Doyen.

9.3.5 Addressable projects and market size

We offer a wide variety of services and solutions for TSOs and DSOs within the European, mainly German, electricity transmission market. These include but are not limited to the engineering and realization of different types of grid infrastructure, including the required civil engineering works, cable pull, horizontal directional drilling (HDD), but also the planning, realization and servicing of all associated grid infrastructure, such as transformer stations and cable sleeves. As stated under article 23 of Germany's Energy Management Act (*Energiewirtschaftsgesetz*), Germany's TSOs are obliged to publish investments into the Germany's regulated high voltage electricity grids that are schedule to occur within the next ten to fifteen years. Sometimes projects approved in the NDP have been temporarily delayed due to unforeseen circumstances. A full cancellation is highly unlikely because of the system critical importance of each approved NDP project.

We believe that this provides us with a solid level of visibility into the future grid infrastructure investment volume and enables us to assess the precise project volume and our addressable market size over a period of several years. However, the NDP does not capture all projects actually taking place within the next decade. Naturally, it

can only feature projects that were already intended before the publication date. Usually, the amount of additional projects tends to increase towards the upper end of the described time-period. Besides the projects outlined in the NDP, we believe there will be significant additional market opportunities, primarily in grid upgrades and renovations which are not included in the plan, in particular many 110 kV projects, recurring service & maintenance contracts as well as international projects.

For the period between 2015 and 2020, we had a share of approximately 20% in terms of total route length of all relevant German NDP projects with an underground section (*Source: Offshore NDP 2025, Version 2015*).

9.3.5.1 Addressable projects and market volumes based on the NDP

The below table contains the total investment volumes as outlined by the network development plans electricity since 2013 (*Source: NDPs Electricity, available on Network Development Plan Electricity Website*):

Year	NDP investment volume
NDP 2013-2023	EUR 22 billion
NDP 2014-2024	EUR 21-26 billion
NDP 2015-2025	EUR 30-34 billion
NDP 2020-2030	EUR 61 billion
NDP 2025-2035	EUR 72-77 billion

As can be seen in the above table, based on the NDP 2020-2030, the four TSOs envisage a total investment volume of around EUR 61 billion by 2030 (*Source: NDP, Electricity 2030 (2019)*). This includes at least 3,780 kilometers of supra-national high-voltage direct current (HVDC) cable line, with a total investment volume of approximately EUR 28.5 billion until 2030 (*Source: NDP Electricity 2030 (2019)*). The below table shows the total investment volume split by the expansion and upgrade of the DC and AC transmission grids from 2019 to 2030, which includes the landfall of offshore wind park connections, as well as the construction of required transformer stations.

	Investment volume	Grid length
DC-Grids expansion	EUR 28.5 billion	3,780 kilometers
DC-Grid enhancements	EUR 1.5 billion	340 kilometers
AC-Grid expansion	> EUR 20.0 billion	> 1,030 kilometers
AC-Grid enhancements	EUR 11 billion	> 6,330 kilometers
Total	> EUR 61 billion	> 11,480 kilometers

The largest and most prominent HVDC projects, which also account for the majority of investment volume in the DC grid are commonly referred to as "electricity highways". The main purpose of the three high-voltage electricity lines with a total planned length exceeding 1,500 kilometers is to expand the north-south transmission capacity and alleviate the increasing imbalance between the power generation in the north and the growing demand in the south.

	Technical data	TSOs	Length	Federal states involved	Planned completion	Investment volume
A-Nord	DC, 2 GW, 380 kV	Amprion	300 kilometers	Lower Saxony, North Rhine-Westphalia	2025	EUR 2 billion
SuedOstLink	DC, 2 GW, 525 kV	50 Hertz, TenneT	539 kilometers	Saxony-Anhalt, Saxony, Thuringia, Bavaria	2025	EUR 5 billion
SuedLink	DC, 4 GW, 525 kV	TenneT, TransnetBW	Route 2: 684 kilometers Route 3: 532 kilometers	Schleswig-Holstein, Lower Saxony, Hesse, Thuringia, Bavaria, Baden-Württemberg	2026	EUR 10 billion

Based on our long-standing core expertise in complex underground energy infrastructure, we do not believe that overhead power lines and masts are an addressable market for us. Almost the entire DC grid expansion measures as outlined above will by law likely be built as underground electricity lines, which is why we generally consider them addressable by us. This amounts to an addressable market of approximately EUR 30 billion over the next 10 years (until 2030). As the currently planned and approved DC connections described above have an estimated investment volume of at least EUR 17 billion and are expected to be completed by 2026 at the latest, we expect the total addressable market volume of EUR 30 billion to be distributed relatively evenly over the first and second half of the time periods up to 2030, respectively (*Source: NDP Electricity 2030 (2019)*).

The investment volume for these projects as stated by the TSOs includes both the materials required for the project realization (*e.g.*, cable and insulation), the costs for the rights of way acquisition, the approval processes as well as the value-add provided by the contracted companies. The addressable volume share for us of each individual project depends heavily on the project type and the contractual stipulations with the respective TSOs. While the materials are in some cases provided by the contracting company – which would render this share of the project non-addressable for us – it is contributed by the contracted company in others. Based on our experience from realizing projects for TSOs in the electricity industry for several decades, we target an average addressable share of projects at approximately 20% (*Source: Management estimate*). This results in a total addressable market volume of approximately EUR 6 billion (DC projects EUR 30 billion x 20%) over the course of the next 10 years (until 2030) of which approximately EUR 17 billion are to be expected to flow by 2026, which we see as a realistic estimation based on previous experiences and the general market outlook for electricity.

9.3.5.2 Additional addressable markets and project types

In addition to the addressable projects outlined in the NDP electricity, there are additional addressable markets and project types. These include primarily pilot projects for high-voltage AC underground cable construction, new projects added after or outside the publication of the NDP (especially many 110 kV projects), infrastructure projects for single large electricity consumers directly connected to the grid (*e.g.*, large industrial clients), grid upgrade measures, recurring service & maintenance contracts as well as international projects.

In addition to the underground HVDC cable lines, the most recent NDP also defines a number of high-voltage (380 kV) AC cable lines ("**HVAC**") as pilot projects for underground cable construction. While the length of the underground sections is significantly lower than for the large HVDC cable lines, the costs assumed by the TSOs for the construction of HVAC lines (EUR 11.5 million/kilometer) almost twice as high as it is for underground DC lines (EUR 6 million/kilometer) (*Source: NDP Electricity 2030 (2019)*). We believe we have considerable market potential in the HVAC segment of the NDP, in addition to the potentials from the HVDC segment outlined above.

Any NDP can only take into account network expansion measures that have been deemed essential at the time at which the plan was drafted. New transmission grid requirements that become apparent subsequent to the publication cannot be added to the project list at a later stage even though they have to be realized in the course of the respective regulatory period. This is why we typically see a number of addressable projects, which are not included in the original NDP. These include, in particular, many 110kV projects of which we generally see a large number as addressable for us but which are not necessarily included in the NDP due to their proximity to the distribution network.

Further, the NDP only takes into account public projects, *i.e.*, measures, which are required to supply a cluster or large number of end-users with electricity. Grid expansion measures to provide single large gas consumers, especially large industrial clients in energy-intensive sectors, with sufficient power, on the contrary, are not included. An additional addressable market potential, which is per default not included in the TSOs' NDP are the required upgrades to the existing grid. Typical upgrade measures include, for example, the rerouting of existing cable lines (*e.g.*, in the context of road diversions or extensions), the replacement of damaged cable lines, or any types of renovation works that naturally become necessary over the lifetime of transmission infrastructure assets. In addition to these other possibilities, we also have substantial additional opportunities in the service, maintenance & operations sector of the electricity industry.

Lastly, based on our decade-long technological expertise and the successful prequalifications with major TSOs, we do not only operate in the German electricity industry but also in other – currently primarily neighboring -

European countries. Naturally, these projects are not included in the German NDP but represent additional addressable opportunities that we seek to further expand in the future.

While a precise estimation of the individual additional market potentials is challenging, we estimate that the joint addressable market potential of the above areas is in aggregate approximately 20% of the market potential based on the NDP projects. Altogether, we believe that addressable investments of EUR 3.4 billion until 2026 will be undertaken in the electricity transmission infrastructure market.

9.3.6 Competitive Environment

We address the electricity transmission infrastructure market with a broad offering of solutions and services, including cable line construction, special no-dig procedures, plant construction, turnkey solutions and service & maintenance. The competitive environment differs by technology.

In the (underground) cable line construction sector, relevant competitors include, for example, Max Bögl, Köster and De Romein. While all of these players also offer a portfolio of products and services related to electricity infrastructure, this typically only represents one of many segments for them. Other core segments of key competitors include, for example, civil and structural engineering and building construction.

In electricity-related plant construction, including converter stations, transformer substations, the competitors overlap with the competitors in cable line construction but they are not identical. We also compete in this field with more focused energy technology companies such as Bilfinger, ABB or Siemens Energy.

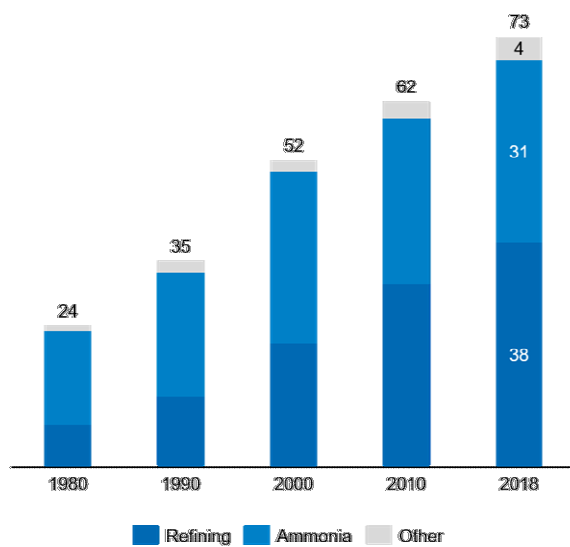
Lastly, in the field of service, maintenance & operations, the most relevant competitors are the same as in the natural gas market.

9.4. The Addressed Hydrogen Market

9.4.1 General overview

The use of hydrogen as an industrial gas is already well established across a number of industries, and is essential to the manufacturing of a multitude of everyday goods. Out of the approximately 73 million metric tons of pure hydrogen demanded in 2018, the IEA estimates that approximately 52% (38 mmt) was used in petroleum-refining processes, 42% (31 mmt) was used as feedstock to produce ammonia or methanol (*e.g.*, for fertilizers) and 6% (4 mmt) was used in other applications (*Source: IEA: Technology Report - The Future of Hydrogen, 2019*). Over the last decades, demand for pure hydrogen in these conventional applications has already experienced substantial growth, quadrupling from below 20 million metric tons in 1975 to 73 million metric tons in 2018 (*Source: IEA: Technology Report - The Future of Hydrogen, 2019*).

Global hydrogen demand in MMT H₂



Refining

A number of refining processes require the use of hydrogen such as the sulphur content reduction in diesel and gasoline



Ammonia

Hydrogen plays a fundamental role in the production of ammonia and many other chemicals, which are used for example as fertilizer



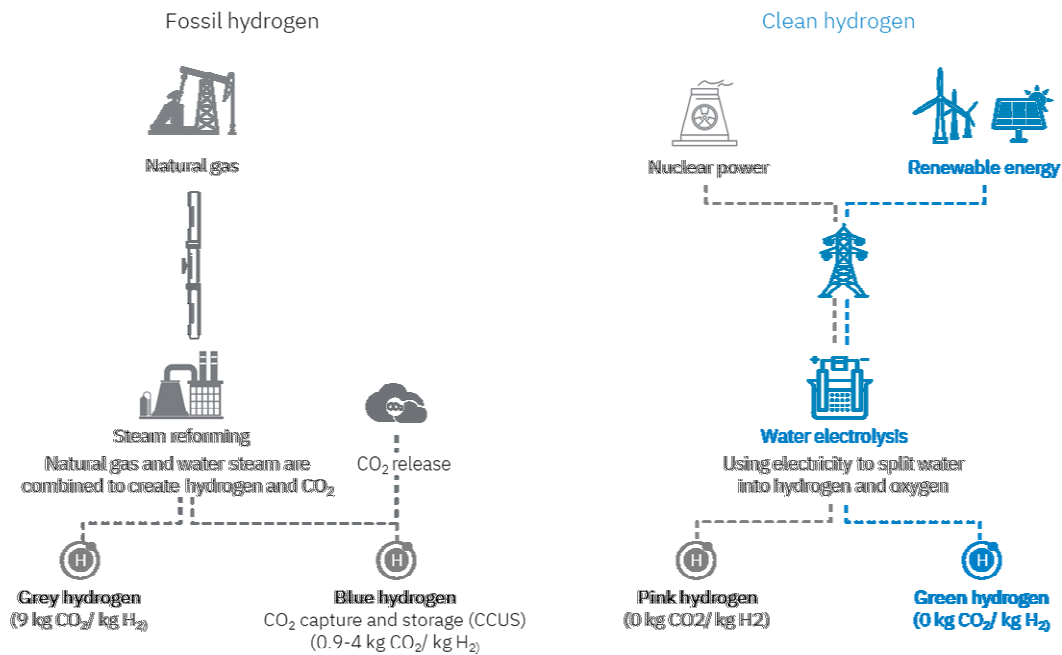
Other

Hydrogen is also used in areas such as transportation (fuel cells) or residential heat

Note: MMT = Million metric tons
Source: IEA

Generally, there are a number different processes by which hydrogen can be produced in dedicated production units and – depending on the technology and energy source – hydrogen production is associated with varying levels of carbon intensity. There are six different types of hydrogen: green, pink, blue, brown, black and grey (green, pink and blue are collectively referred to as "clean hydrogen").

- Green hydrogen is produced with zero carbon emissions through the process of water electrolysis using renewable - such as solar and wind - energies. There are currently several different competing electrolyzer technologies present in the market, ranging from the most mature Alkaline electrolysis technology (AEM), to the less mature Proton Exchange Membrane ("PEM") electrolysis to the Solid Oxide electrolyzers ("SOEC"), which is still in the research phase (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness, 2020*). All electrolysis methods have in common that they use electricity to decompose water into its constituent elements oxygen and hydrogen.
- Pink hydrogen is produced with zero carbon emissions through the process of water electrolysis using nuclear power. This process is typically viewed as the most efficient way of producing clean hydrogen due to its constant level of power available for the process. Low-carbon or blue hydrogen is hydrogen produced from conventional fossil fuels with CCUS, a technique, which prevents carbon dioxide (CO₂) generated in the production process from being released freely into the atmosphere. Emissions range from 1-4 kg of CO₂ per kg of hydrogen depending on capture rate (Source: *Carbon Brief: In-depth Q&A: Does the world need hydrogen to solve climate change?, 2020; Company information based on publicly available third-party research*).
- Fossil hydrogen is hydrogen produced on the basis of fossil fuels such as coal (brown hydrogen), oil (black hydrogen) or natural gas (grey hydrogen) with release of CO₂ and other waste gases into the atmosphere. Emissions range from 9-20 kg of CO₂ per kg of hydrogen (Source: *Carbon Brief: In-depth Q&A: Does the world need hydrogen to solve climate change?, 2020; Company information based on publicly available third-party research*).



Source: Carbon Brief; Company information based on publicly available third-party research

Today, the vast majority of global dedicated hydrogen production for use in industrial applications such as ammonia production or in refinery processes falls under fossil grey hydrogen (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness*). Water electrolysis, by contrast, merely accounts for less than 0.1% of global dedicated hydrogen production (Source: *IEA: Technology Report - The Future of Hydrogen, 2019*). Consequently, the hydrogen production industry remains carbon intensive, generating 6% of global natural gas demand, 2% of coal demand, and contributing approximately 830 million tons of carbon dioxide per year, equivalent to the CO₂ emissions of the United Kingdom and Indonesia combined (Source: *IEA: Technology Report - The Future of Hydrogen, 2019*).

9.4.2 Key industry trends and drivers

Clean hydrogen is currently experiencing unprecedented political and business momentum (Source: *IEA: Technology Report - The Future of Hydrogen, 2019*). There are several fundamental industry drivers that lead us to believe that this time may indeed be different from any other point of time before in the evolution of the hydrogen economy. These are: the increasingly urgent need for a clean molecule in light of ambitious de-carbonization goals, a strong strategic push in EU and national strategies, rapidly decreasing costs of hydrogen production as well as the start of a ramp-up of a dedicated pan-European hydrogen transport infrastructure.

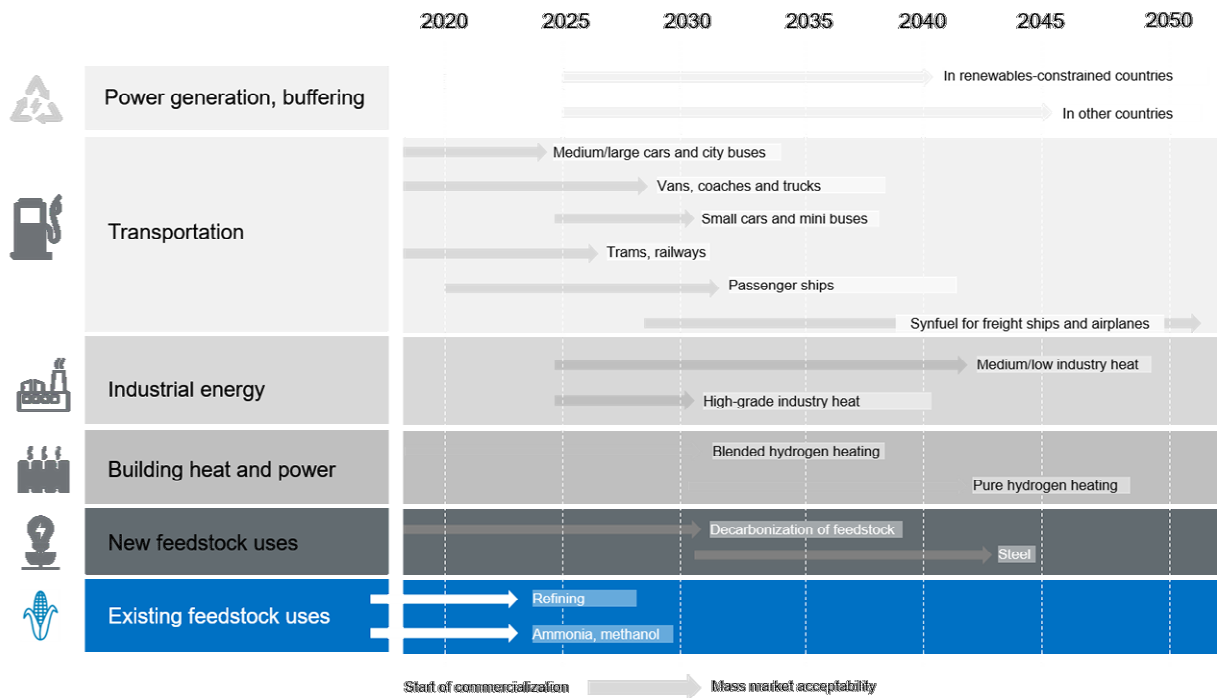
9.4.2.1 The urgent need for a clean molecule in light of de-carbonization goals

While electrification in combination with renewable energies is widely considered a key strategy for reaching increasingly robust climate goals, governments around the world have started to realize that there remain a number of areas of the economy where systematic electrification does not represent an economically viable or feasible pathway to de-carbonization. These so-called "hard-to-abate" sectors include in particular:

- **Fuel:** Some forms of transportation, such as aviation, shipping and long-distance, heavy-haul road transport, where electrification based on battery technologies is hard or impossible to achieve.
- **Heat:** Temperature-intensive industrial sectors like iron and steel production, cement, aluminum, paper or glass manufacturing, in all of which intense heat is currently mostly generated through the combustion of molecular-based forms of energy, such as coal, oil and natural gas. Further, hydrogen can be used as substitute for natural gas to provide heat and hot water for residential and commercial buildings.

- Feedstock: Industries that use fossil fuels as raw material for the finished product, such as chemicals (esp. ammonia and methanol) manufacturing.

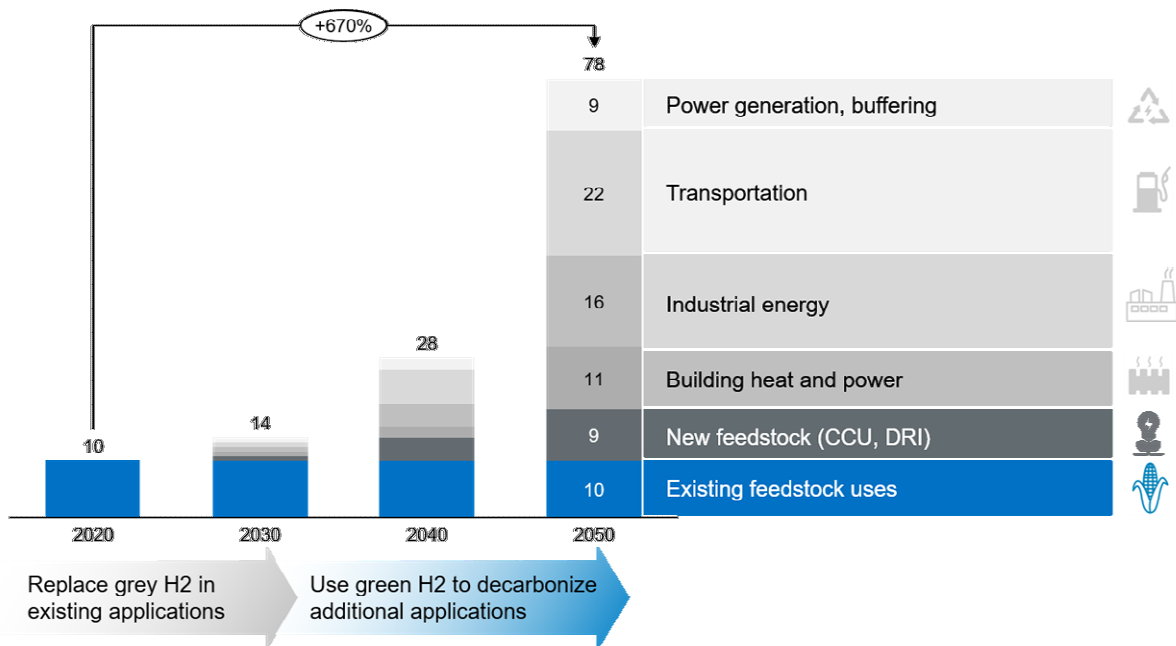
All these economic areas have in common that they are highly energy-intensive, currently heavily rely on CO₂-intensive molecular-based fossil fuels and cannot easily be de-carbonized through electrification. In order to move towards carbon neutrality in these areas, it is hence indispensable to replace the currently used fossil fuels with a cleaner molecule-based fuel.



Source: Hydrogen Council

Currently, hydrogen is the only molecular-based energy carrier that can potentially provide a clean solution to this challenge. It is the most abundant element in the universe, contains the highest amount of energy per unit of weight, is extremely versatile, non-toxic, can be flexibly produced and stored and is entirely carbon-neutral when combusted (Source: BloombergNEF: *Hydrogen Economy Outlook – Key messages, 2020*). As a result, hydrogen demand is expected to experience substantial growth over the next years, generated especially from outside its conventional applications today. New feedstock uses, such as in highly energy-intensive steel production, the deployment of hydrogen in building heat and power, the widespread application in industry energy (i.e., for medium-low and eventually also high-grade industry heat) as well as increased usage in transportation (shipping, trucks, aviation) and for power generation lead to overall expectations of demand increases by up to factor 10 by 2050. With a production of almost 80 exajoule in 2050, it is estimated that hydrogen could meet approximately 18% of total final energy demand, or 12% of the world's total primary energy demand in the 2050 two-degree scenario (Source: Hydrogen Council: *Hydrogen Scaling up, 2017*).

Global energy demand supplied with hydrogen in EJ



Source: Hydrogen Council

We believe that a true de-carbonization of the hard-to-abate sectors will only be possible if the hydrogen that replaces the traditional fossil fuels is green, pink or blue hydrogen. Public and corporate focus has shifted to electrolysis technologies and potential options rapidly to scale up capacities over the next few decades. While there are currently no projections on the precise build up of electrolysis capacity for the coming decades, it has become evident that in order to even remotely meet the growing hydrogen demand to achieve de-carbonization goals, it will be necessary significantly to ramp up global electrolysis capacity. The European Commission Hydrogen Strategy, for example, calls for an annual increase in installed capacity by 160% until 2024 and by 37% from 2024 to 2030 (Source: *European Commission Hydrogen Strategy, 2020*).

9.4.2.2 Strategic push in EU and national roadmaps

Based on pressure to achieve increasingly ambitious de-carbonization targets and the need to tackle the energy intensive hard-to-abate sectors, governments and regulatory bodies around the world have started to adopt a number of dedicated national strategic roadmaps. Until now, a total of 18 governments, accounting for approximately 70% of global GDP, have proposed detailed strategies for ramping up hydrogen economies over the next few decades (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness, 2020*).

The most notable strategic push in this direction has been the recently published European Hydrogen Strategy. In this roadmap paper, the EU Commission for the first time clearly recognizes the critical role of clean hydrogen in the context of the European Green Deal and for achieving Europe's clean energy transition: "Large-scale deployment of clean hydrogen at a fast pace is key for the EU to achieve a higher climate ambition, reducing greenhouse gas emissions by minimum 50% and towards 55% by 2030, in a cost effective way" (Source: *European Commission Hydrogen Strategy, 2020*). In order to promote a more widespread adoption of hydrogen across a multitude of hard-to-abate sectors, the European Commission proposes an approach in three consecutive phases:

- In the first phase, from 2020-2024, the strategic objective is to deploy at least 6 GW of clean hydrogen electrolyzers across the European Union, thus enabling the production of up to 1 million tons of renewable hydrogen
- In a second phase, from 2025-2030, hydrogen needs to become an essential part of an integrated European energy system. To this end, the European Commission envisages the installation of at least 40 GW of clean

hydrogen electrolyzers by 2030, enabling the large-scale generation of up to 10 million tons of clean hydrogen

- In a third phase, from 2030-2050, the EU Commission expects clean hydrogen technologies to reach maturity and be deployed at large scale to de-carbonize all hard-to-abate sectors where other alternatives (especially electrification) might not be feasible or economically viable (current working assumption: 500 GW of electrolysis capacity). In this third phase, renewable electricity production needs to drastically scale up as about 25% of renewable electricity might already be used for clean hydrogen production.

Based on the defined hydrogen production targets during the three phases and given current installed electrolysis capacities of less than 0.1 GW, the European Commission Hydrogen Strategy calls for a 800 fold increase in the installed electrolysis capacity over the next ten years. This corresponds to an annual increase of more than 83%. In order to achieve the ambitious strategy and scale up a pan-European hydrogen system, the European Clean Hydrogen Alliance – which is implemented to build up a pipeline of viable hydrogen investment projects – estimates that total cumulative investments of up to EUR 430 billion will be required until 2030 (*Source: Hydrogen Europe: Blueprint for a Hydrogen Implementation Plan, 2020*). This volume also includes investments in electrolyzers in the EU of up to EUR 26 billion by 2030 (*Source: Hydrogen Europe: Blueprint for a Hydrogen Implementation Plan, 2020*).

Hydrogen strategies, however, do not only exist at the European level, but are increasingly being adopted at national levels as well. Many European Member States have put forward plans for including clean hydrogen in their National Energy and Climate Plans, 26 states have signed up to the "Hydrogen Initiative" by the European Commission, and 14 Member States have stressed the importance of hydrogen in the context of their alternative fuels infrastructure national policy frameworks (*Source: European Commission Hydrogen Strategy, 2020*). Germany, for instance, introduced its ambitious National Hydrogen Strategy in June 2020, earmarking EUR 9 billion of investments to establish a national hydrogen economy. The strategy aims to establish clean hydrogen technologies as core elements of the energy transition in order to de-carbonize a wide range of industrial processes with the help of renewable energy, create regulatory conditions for the market ramp-up of hydrogen technologies, support research and development of innovative hydrogen technologies and secure and shape the future national supply of CO₂-emission-free hydrogen and its downstream products. The German government thereby seeks to deploy 5 GW of clean hydrogen production capacity by 2030 plus an additional 5 GW of capacity until 2040 at the latest (*Source: BMWi German National Hydrogen Strategy, 2020*). In addition to the overarching national strategy, several German states have introduced their own ambitious hydrogen plans such as North Rhine Westphalia which aims to operate its first large-scale hydrogen production plants with more than 100 MW capacity each and install the first 120 kilometers of hydrogen pipelines by as early as 2025 (*Source: Hydrogen Roadmap North Rhine Westphalia, 2020*).

The following table provides an overview of national hydrogen programs across Europe:

Country	Electrolysis targets	Total program volumes	Source
Italy	2030: 5 GW	EUR 10.0 billion	Reuters: Italy drafts guidelines for national hydrogen strategy, document shows, 2020
Germany	2030: 5 GW 2040: 10 GW	EUR 9.0 billion	BMWi: German National Hydrogen Strategy, 2020
Netherlands	2025: 0.5 GW 2030: 3.5 GW	EUR 9.0 billion	Gasunie: The Netherlands: Hydrogen Land Investment plan worth 9 billion euros should ensure a leading position in Europe, 2020
Spain	2024: 0.3-0.6 GW 2030: 4 GW	EUR 8.9 billion	Reuters: Spain approves hydrogen strategy to spur low-carbon economy, 2020
France	2030: 6.5 GW	EUR 7.2 billion	Ministère de l'Economie, des Finances et de la Relance, Stratégie nationale pour le développement de l'hydrogène décarboné en France: France devotes €30 billion to energy transition, 2020
Portugal	2030: 2-2.5 GW	EUR 7.0-9.0 billion	Energías Renovables Website,

Country	Electrolysis targets	Total program volumes	Source
			Portugal National Hydrogen Strategy, 2020

9.4.2.3 Decreasing costs of clean hydrogen production

In light of the importance of clean hydrogen as a CO₂ emission-free fuel, national policymakers will need to provide adequate frameworks to accelerate the relative cost competitiveness of clean hydrogen to conventional fossil hydrogen and fossil fuels. In the case of countries relying solely on clean hydrogen such as Germany, production costs of clean hydrogen have already seen a substantial decrease by 60% since 2010. While the costs for generating a kilogram of clean hydrogen amounted to approximately 10-15 USD in 2010, the cost today is in the range of 4-6 USD (*Source: Hydrogen Council: Path to Hydrogen Cost Competitiveness, 2020*). Even at this cost, however, clean hydrogen currently remains more expensive than conventional fossils-based hydrogen, and even more so than fossil fuels. However, we believe that there are several key industry dynamics that will result in continued decreases of up to 60% in clean hydrogen production costs over the next decade, including especially a reduced investment cost associated with the electrolyzer and decreasing renewable energy costs (*Source: Hydrogen Council: Path to Hydrogen Cost Competitiveness, 2020*).

Electrolyzer costs have already experienced significant price declines of 40% over the last five years, from 2014 to 2019 (*Source: BloombergNEF: Hydrogen Economy Outlook – Key messages, 2020*). Going forward, we are convinced that as electrolyzer production volumes start to scale up, the combination of several distinct reasons will continue to accelerate this trend and lead to an additional 40% of electrolyzer plant cost reductions in the short-term (2030) and up to 80% in the longer-term: Improved electrolyzer design and construction, economies of scale through higher automation, improved procurement of materials, efficiency in operations and general learning rates (*Source: Irena: Green Hydrogen Cost Reduction, 2020*). The Hydrogen Council expects an even faster decline in electrolyzer capex, projecting a 60 - 80 % reduction by as early as 2030 (*Source: Hydrogen Council: Path to Hydrogen Cost Competitiveness, 2020*).

In technological terms, electrolyzer systems can be divided into two main component groups: the electrolysis stack and the so-called balance of plants ("**BOP**"). The electrolyzer stack represents the heart of the electrolysis system, as it provides the actual cell enabling the chemical reaction required to produce the clean hydrogen. The BOP denotes all secondary subsystems that complement the function of the stack. As such, they include all components are required to direct, measure, transform and control all inputs and outputs before and after the electrolysis stack. This includes, for example,

- stack power supply system: AC/DC rectifier, DC voltage transducer and DC current transducer;
- water management system (*e.g.*, water circulation system, inlet water tank, oxygen separator tank, injection pump, piping, valves and instrumentation);
- hydrogen production subsystem: PSA dryers, high- and low-pressure separators, tubing, valves and instrumentation;
- cooling subsystem: heat exchanger, dry cooler, cooling pump, valves and instrumentation;
- Control subsystem: all devices and control units required to collect information from sensors and defines operation mode over actuators according to optimal operation and safety requirements (*Source: Electronics 2020 9(5): An Optimized Balance of Plant for a Medium-Size PEM Electrolyzer: Design, Control and Physical Implementation, 2020*).

Today, for any 1 MW electrolyzer system, the (PEM) stack and balance-of-plant components account for approximately 50% respectively (*Source: National Renewable Energy Laboratory, "NREL": Manufacturing Cost Analysis for Proton Exchange Membrane Water Electrolyzers, 2019*). Regarding the cost reduction potentials outlined above, we believe the largest part of the cost savings will be realized on the stack rather than the BOP. Many parts of the BOP have already reached a high technological maturity as they have been employed on related markets, for example natural gas in a comparable way. While a significant scale-up of global hydrogen production

is also expected to lead to some economies of scale for these parts, cost saving potential is likely limited as most efficiency gains have already been realized by now. Electrolysis (especially PEM) stacks, on the contrary, are technologically much less mature with still low production volumes and a high share of manual labor. As stack manufacturing capacities experience a ramp up to several thousand pieces over time, it is expected that the associated production costs will experience a significant decline, e.g., through significant economies of scale in the membrane production, or streamlining the stack frame or assembly costs. As electrolyzer production scales up, we hence share the view of the NREL, that the BOP components will account for more than 70% of total electrolyzer costs (Source: NREL: *Manufacturing Cost Analysis for Proton Exchange Membrane Water Electrolyzers*, 2019). The substantial saving potential is evidenced by a number of Asian players that already produce stacks at a significantly lower costs than their Western competitors (Source: *BloombergNEF: Hydrogen Economy Outlook – Key messages*, 2020).

In addition to the reduction in electrolyzer capital costs, the second major factor determining the cost of hydrogen production in the water electrolysis process is the cost of renewable energy. According to the Hydrogen Council, given that electricity costs today account for a majority of operational electrolysis costs, a continued drop in renewable energy costs will contribute the biggest share of reduction in operational cost (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness*, 2020).

Given that wind and PV, after experiencing an 80% decline in production costs over the last decade, already represent the lowest-cost course of new bulk electricity supply across most markets and geographies, it is likely that these will continue to provide the cheapest forms of renewable electricity for electrolyzers going forward, as well (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness*, 2020). While generation costs have already seen a continuous decline over the last years, The Hydrogen Council estimates that the cost of electricity from renewable energy sources will continue to decline over the next few decades. According to their analysis, offshore wind, for example, could well experience another 40 % decline from approximately USD 70 to 40 per MWh by as early as 2030, thus driving down the production costs of clean hydrogen production substantially (Source: *Hydrogen Council: Path to Hydrogen Cost Competitiveness*, 2020).

Besides this, two additional factors could well lower the price of renewable power even further in the future: (i) an scaling of the global hydrogen economy would result in an even stronger boost in global renewable energy capacities, which in turn would lead to an additional acceleration of the current learning rate and (ii) energy costs can be reduced and efficiency increased with more integrated system designs and solutions, where the wind and PV plants are directly connected to the electrolyzer system, thus saving connection fees and other related costs

We believe, however, that in the short term the most important driver for the improvement of relative price competitiveness of clean hydrogen will be the increasing adoption of political measures and policies significantly to increase the costs of fossil fuel usage up to prohibitive levels. An analogy can already be witnessed in the recent significant reductions of allowed CO₂ emission levels for new motor vehicles under the planned EU-7 emission standard in the automotive industry. A recent example of such measures can be seen in Germany in the 2020 implementation of CO₂ levies which will continually increase over time. Jointly, the factors outlined above will lead to clean hydrogen becoming cost competitive with fossil hydrogen based on coal or natural gas as early as 2030 (Source: *BloombergNEF: Hydrogen Economy Outlook – Key messages*, 2020).

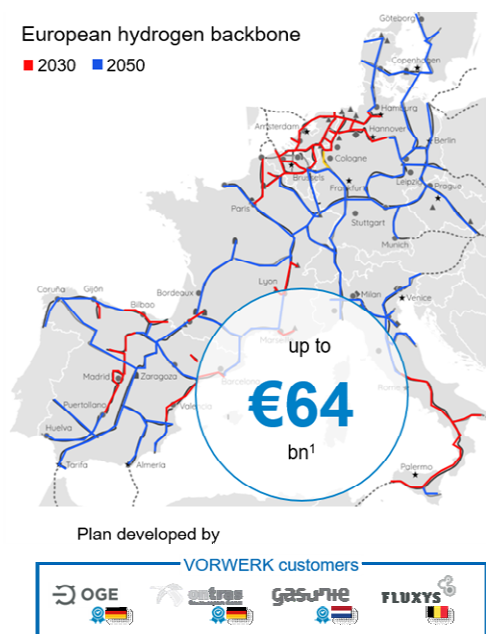
9.4.2.4 Ramp-up of European hydrogen transport infrastructure

Due to the still limited uptake of clean hydrogen in the European economy, the need for dedicated hydrogen transport infrastructure has so far been low, especially as demand for hydrogen is today largely met by production close to or on site. As European countries are beginning to realize that clean hydrogen may in fact be the only pathway for de-carbonizing the hard to abate sectors and that – due to the cost differences in renewable energy production across Europe – large-scale production and consumption of hydrogen will likely be geographically disparate, calls for a "hydrogen-ready" transport network to connect supply and demand have intensified significantly. Against this background, the European Hydrogen Strategy states clearly that, "the need for an EU-wide logistical infrastructure will emerge, and steps will be taken to transport hydrogen from areas with large renewable potential to demand centers located possibly in other member states of the EU. The back-bone of a pan-European grid will need to be planned and a network of hydrogen refueling stations to be established." (Source: *European Commission Hydrogen Strategy*, 2020).

As a response to this call, to show a possible pathway for ramping up a pan-European hydrogen infrastructure, eleven leading TSOs (Enagás, Energinet, Fluxys Belgium, Gasunie, GRTgaz, NET4GAS, OGE, ONTRAS, Snam, Swedegas and Teréga) from nine European countries recently put forward a first draft for a comprehensive hydrogen pipeline grid enabling energy-efficient transport of large quantities of hydrogen over long distances (Source: *European Hydrogen Backbone*, 2020). The study argues that combining centralized hydrogen production in large electrolysis plants with the leveraging of the existing European natural gas transmission grid would still be more cost efficient than relying on a large number of smaller electrolyzing units dedicated solely to on- or near site consumption.

In their plan for a comprehensive pan-European hydrogen backbone, the TSOs outline a gradual approach along three steps by 2030, 2035 and 2040:

- In a first step up to 2030, the aim is to realize regional backbones in and around so-called "Hydrogen Valleys" – i.e., first mover hydrogen supply and demand hubs, such as industrial clusters, ports, cities or other strategically important areas – primarily by retrofitting existing natural gas pipelines. In this first step, the TSOs envision a dedicated network of approximately 6,800 kilometers, starting with national hydrogen backbones in Germany and the Netherlands and extending into several neighboring countries.
- From 2030 to 2035, the hydrogen backbone will continue to extend, covering additional regions and connecting an increasing number of European member states. By 2035, it is expected that hydrogen consumers in the industry-heavy center of Europe will start to be connected to regions with abundant renewable energy capacity, such as, for example, Denmark with its extensive wind resources or France with large capacities for solar and wind resources.
- By 2040, the hydrogen transport network is expected to span a total length of 22,900 kilometers, connecting most Western European countries as well as valuable extensions into Central and Eastern Europe. Overall, it is estimated that 75% of the core European Hydrogen Backbone will consist of retrofitted existing infrastructure, which will be interconnected by new hydrogen pipelines accounting for 25% of the total pipeline network.



23,000 km
total length of planned hydrogen backbone

25%
share of new pipelines in hydrogen backbone

up to €64bn
investment required for realizing backbone

Connection to global hydrogen flows
including North Africa, the North Sea (UK and Norway), possibly Ukraine and Russia

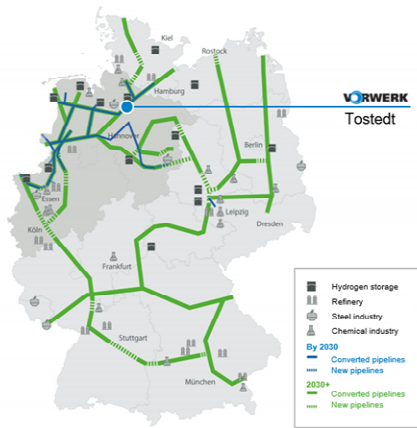
 Vorwerk Top 20 customers

Source: *European Hydrogen Backbone Report*

To pave the way for an efficient national hydrogen transport and commence work on a first nucleus of the later pan-European hydrogen backbone, the German TSOs have also put forward a first visionary draft for a future

German hydrogen infrastructure system (Source: FNB Gas, 2020). In this draft, the TSOs outline a dense network of pipelines spanning more than 5,900 kilometers, connecting cavern storage facilities, industrial consumers, and metropolitan areas with regions with a high volume of renewable energies for clean hydrogen production and likely locations to import hydrogen (Source: FNB Gas: Press release 28 January 2020).

Vision: German hydrogen network



5,900 km
total length of visionary hydrogen grid

1,200 km
length of base grid ("Startnetz") by 2030

Nucleus
of future European hydrogen backbone

Plan developed by



German pipeline operators present plan for world's largest hydrogen grid



Source: FNB Gas, ReCharge

9.4.2.5 Addressable market size, development and trends

We offer a broad range of technological solutions and services for the hydrogen industry, both for water electrolyzers and for hydrogen transport infrastructure.

Due to the still early stage of the global hydrogen economy, estimations of the precise market potential associated with clean hydrogen vary widely, ranging from several hundreds of millions up to several trillion US dollars. As Haim Israel, head of Thematic Investing Strategy at BofA Global Research, points out, "the transition to green hydrogen could provide \$11 trillion of infrastructure investment opportunities over the next 30 years." (Source: Website Bank of America, 2020).

Despite the significant spike in public attention in recent years, the global market for water electrolyzers for clean hydrogen production is currently still a small and immature industry with a number of competing technologies and highly fluctuating demand patterns. Given the ambitious EU targets to install 6 GW by 2024 and 40 GW by 2030, however, the European electrolyzer industry is set to experience massive growth in the coming decades. For Germany alone, studies project a total electrolyzer capacity of 50 to 80 GW by 2050, requiring a quick double-digit scale up until 2030 and at least 1 GW of annual capacity build-up thereafter (Source: Fraunhofer Institute Hydrogen Roadmap, 2019). While it is difficult to estimate the precise investment costs required for scaling up clean hydrogen production in Europe, a number of studies and policymakers' reports provide a broad estimation of the cumulated investments costs that will likely be incurred to meet the defined hydrogen targets.

The European Clean Hydrogen Alliance, for example, foresees a total cumulated investment volume of approximately EUR 430 billion for reaching the defined hydrogen targets under the European Commission Hydrogen Strategy by 2030 (Source: Hydrogen Europe: Blueprint for a Hydrogen Implementation Plan, 2020). This investment volume includes approximately EUR 220 billion for ramping up hydrogen production capacity in Europe. While a large part of this volume (EUR 160 billion) is earmarked for the uptake of renewable energies required for electrolyzers, the European Clean Hydrogen Alliance also envisages costs of approximately EUR 29

billion for the deployment of new electrolyzer capacity (*Source: Hydrogen Europe: Blueprint for a Hydrogen Implementation Plan, 2020*).

With regards to the hydrogen transport infrastructure, Hydrogen Europe's industry blueprint estimates that the ramp-up of a pan-European hydrogen infrastructure and storage will require total investments of up to EUR 120 billion by 2030. This volume includes a dedicated hydrogen pipeline backbone spanning the EU and connecting to North Africa (EUR 35 billion) but also hydrogen refueling stations (EUR 10 billion), hydrogen port facilities (EUR 20 billion) as well as hydrogen salt cavern storage (EUR 55 billion). Further, the report on the European hydrogen backbone also provides an estimation of the projected costs of ramping up a pan-European infrastructure (*Source: European Hydrogen Backbone, 2020*). Based on the assumption that 75% of the backbone will consist of retrofitted existing natural gas pipelines and 25% will be new dedicated pipeline stretches, the total investment cost for the envisaged backbone as suggested by the TSOs could amount up to EUR 64 billion by 2040, depending on scenario. In terms of the operational costs, the TSOs expect costs ranging from EUR 1.6 billion to EUR 3.5 billion per year.

Among these projected investment volumes, we primarily see the investment volumes in electrolyzers and gas infrastructure as our core market, taking into account limitations due to geographical splits and potentially non-strategic market segments, *e.g.*, electrolyzer stack production. Besides this, we also regard investment volumes in renewables as relevant with regard to the associated grid connection technology. However, in light of the infant stage and high level of uncertainty of the hydrogen market, a precise prediction of relevant investment volumes as they relate to our market is not possible. We offer a broad range of technological solutions and services for the hydrogen industry, both for water electrolyzers and for hydrogen transport infrastructure.

9.4.3 Competitive environment

Based on our long-standing experience in the natural gas market, we offer a broad range of technologies, products and services to the hydrogen industry, including mid- to large-scale electrolyzers as well as hydrogen transport infrastructure. The competitive environment in the hydrogen sector can generally be divided into several subsectors such as electrolyzer producers, hydrogen suppliers as well as other market participants.

The electrolyzer market is a highly fragmented and fast evolving market with a multitude of players. These players include integrated companies which also design and produce their own electrolysis stacks (typically PEM stacks) while others focus merely on the packaging of containerized electrolyzer systems and source electrolysis stacks externally. Integrated electrolyzer producers include companies such as Nel, McPhy Energy, ITM Power, Hydrogenics, FuelCell Energy, H-Tec and Plug Power. Companies focusing on packaged solutions and fuel cell systems include PowerCell Sweden, Ballard Power, Proton Power Systems, SFC Energy and Enapter. Some of our competitors may form alliances and cooperation agreements among each other or with smaller local market participants.

As hydrogen is considered an important input factor in a number of industrial processes such as chemical refinery, ammoniac production as well as other industrial processes, there are a number of companies which trade and distribute hydrogen using individual gas cylinders and tanks in truck and rail transport as well as local pipeline systems. Such companies include large industrial gas suppliers such as Linde, Air Liquide as well as Air Products. Today the hydrogen produced for such processes is, however, generally generated through the steam reformation of fossil natural gas.

Other market participants in the clean hydrogen market include companies providing hydrogen related equipment and services such as high-pressure cylinders and tanks such as Hexagon Composites or component producers for industrial gases such as Chart Industries.

9.5. Our Opportunities in Adjacent Markets

9.5.1 Our addressed district heat industry

Besides our broad product offerings in our core markets natural gas, electricity and hydrogen, we also provide a range of services for the district heat industry, including the realization of aboveground and underground district heat transmission pipes, laying of steel jacket pipes up to DN 900/1400 or the system integration of combined heat and power or waste-to-heat plants.

District heating is a system for distributing heat generated in a centralized plant (often co-generation plant) through a dedicated network of insulated distribution pipes for residential and commercial heating demands such as space heating and hot water. Hence, the medium that is being transported via the pipes is either hot water or steam. In terms of system components, district heating systems consist of heat transmission pipes – laid primarily underground –, co-generation plants (*i.e.*, combined heat and power plants), distribution points, transfer stations and shaft structures (*Source: Website EnBW*). The total German district heat network currently comprises more than 26,000 kilometers, of which the majority is found in larger metropolitan areas such as Flensburg, Hamburg or Munich (*Source: Energie Zukunft, Erneuerbare Fernwärmeversorgung hinkt noch hinterher, 2019*). District heat networks are typically operated by DSOs such as municipal utilities (*e.g.*, EnBW, Stadtwerke Flensburg and Stadtwerke Munich) (*Source: IEA Germany 2020 Energy Policy Review, 2020*). In 2019, approximately 7% of residential buildings and 14% of residential apartments in Germany were supplied through a district heating system (*Source: BDEW: Entwicklung des Wärmeverbrauchs in Deutschland, 2020*).

Currently, more than two-thirds of district heat in Germany is generated in co-generation plants (*i.e.*, combined heat and power plants (CHP)) which also contribute just under 20% of German's total electricity generation (*Source: IEA Germany 2020 Energy Policy Review, 2020*). However, a broad range of other solutions exists, including heat-only boilers, geothermal heating, large-scale heat pumps or solar heating systems (*Source: Website EnBW*). As combined heat and power (CHP) plants use the waste-heat produced in electricity generation for heating purposes, they are able to reduce primary energy consumption (typically gas and oil) significantly compared to systems in which electricity/heat generation occurs separately (*Source: BMWi: Ergebnisrapport Strom 2030-Langfristige Trends – Aufgaben für die kommenden Jahre, 2017*). This results in a substantial de-carbonization potential. As the conventional fossil fuels used to power the CHP (primarily gas and oil) continue to switch to renewable fuels such as waste or biomass, the de-carbonization effect can be enhanced even further.

In light of the positive climate effect associated with district heat compared to individual heating units, a further upgrade and expansion of the existing district heating network is widely considered a central element of reaching the ambitious de-carbonization goals in the buildings sector. In order to successfully achieve the "heat transition" ("*Wärmewende*"), investments in the national district heating industry are projected to experience substantial increases over the next years. A recent study published by the Hamburg Institut and Prognos estimates that in order to expand the market share of district heat in the overall heat mix to the desired 30%, cumulated investment volumes of up EUR 33 billion will be required until 2030 (*i.e.*, annual investments of more than EUR 3 billion) (*Source: Hamburg Institut; Prognos: Perspektive der Fernwärme – Maßnahmenprogramm 2030, 2020*). The district heat network will additionally gain in importance, as the large-scale production of clean hydrogen is starting to scale up. The process of water electrolysis typically generates large amounts of hot water. Recovering this waste heat and feeding it into district heating systems can help to substantially enhance the overall efficiency balance of hydrogen electrolysis plants.

To support this development and enable large-scale de-carbonization of the buildings sector, the German Federal Government promotes investments in modern district heating systems. In 2017, the German Federal Government adopted the Heating Network Systems 4.0 program, which includes investment grants for heating systems with low temperatures and high shares of renewable energy and waste heat. The program was initially planned to run until 2021, but is expected to continue beyond 2021 as well (*Source: IEA Germany 2020 Energy Policy Review, 2020*).

9.5.2 Our other addressed industries

In addition to the district heat market, we also offer certain products and services in the field of wastewater engineering, biogenic gases and petrochemical processes.

Within wastewater engineering we are able to lay pipes in all commonly used nominal sizes and materials but also to provide a wide range of secondary structures such as shafts, pump stations and wastewater treatment systems. Based on a study conducted by BDEW, more than 594,000 kilometers of sewer network currently transport wastewater from households, businesses and industry to more than 9,100 wastewater treatment plants (*Source: BDEW: Abwasserdaten Deutschland, 2019*). Compared to 1991, the total length of the German sewer network has grown by more than 66% (*Source: BDEW: Abwasserdaten Deutschland, 2019*). In 2016 alone, EUR 4.9 billion were invested in public wastewater disposal, a majority thereof in the expansion and upgrade of the sewer networks

and wastewater treatment plants. Key players active in the industry include municipal wastewater utility companies, such as Hamburg Wasser.

We also offer our services to the petrochemical and chemical industries with a focus on the on-shore transportation and storage of chemicals. This includes, for example, the engineering and construction of dedicated chemicals (e.g., ethylene) pipelines or storage facilities. Customers include major (petro) chemical companies and utilities companies (e.g., RWE).

In addition in our Adjacent Opportunities segment, we further focus on renewable energy technology. In this context we provide a range of solutions and services for the purification and transportation of biogenic and synthetic gases. After biogas has been produced on the basis of biomass (e.g., biological waste or energy crops) in dedicated biogas plants, biogenic gases can either be used for power and heat generation – typically directly on site in combined heat and power plants – or be upgraded to biomethane to be fed into the natural gas network. Vorwerk focuses on the latter process. From 2013 to 2018, the number of biogas combined heat and power plants in Germany has seen an increase by 10% from 8,649 to approximately 9,500 plants (*Source: FNR: Bioenergy in Germany – Facts and Figures 2019, 2019*). While we also expect biogenic gases to play an increasingly important role in the German energy mix, there are dynamic developments and substantial market potentials in neighboring countries, particularly in France, providing us with opportunities to play an important role in the rapidly expanding European renewable energy market.

9.5.3 Competitive Environment

The competitive environment in our adjacent markets is characterized by a high degree of fragmentation. We have identified Denys and Rotus as main competitors in the district heat market and Prodeval and DMT Environmental Technology in the biogenic gas market.

10. BUSINESS

10.1. Overview

We believe we are a leading fully integrated solution provider for critical mid-stream on-shore energy transformation and transportation infrastructure ("**critical on-shore energy infrastructure**") in Germany and Europe. We design, manufacture, install, operate and service critical on-shore energy infrastructure across the entire value chain through which energy sources and energies such as raw natural gas, wind energy and solar energy are transformed into usable natural gas, electricity and clean hydrogen and are then transported by our customers (mainly transmission system operators ("**TSOs**") and energy and industrial companies) to their end-user customers (*e.g.*, other industrial companies or distribution system operators ("**DSOs**"). We provide our services to our customers on both a project turnkey basis as a one-stop shop and in connection with customized projects for specialized solutions. We also provide aftermarket services to maintain, operate and service the critical on-shore energy infrastructure of our customers. As a result, we believe we play a critical role in securing the energy supply and enabling the clean energy transition in Germany.

We are currently ramping up our capabilities in the clean hydrogen market, which we believe will gain increased importance in the coming years due to its technical features as a means for storage and transportation of clean energy and in light of increased government spending on, and public awareness of, the importance of clean energy solutions to achieve a carbon-neutral industry and society. In addition, we currently generate revenue in France, Denmark and Switzerland and are planning significantly to expand strategically throughout Europe, in particular in BeNeLux countries (*i.e.*, Belgium, Netherlands and the Grand Duchy of Luxembourg) and later in Spain. We believe that our industry-leading technological expertise, our ability to execute projects on a turnkey basis, our long-standing relationships with our customers, the extensive certifications required to operate our business, as well as our strong aftermarket services offering position us well to shape the clean energy transition toward decarbonized energy technologies and to meet customer needs in Germany and Europe.

For the fiscal years ended December 31, 2018, 2019 and 2020, we generated revenue of EUR 105.9 million, EUR 179.3 million and EUR 291.8 million and an Adjusted EBIT of EUR 13.1 million, EUR 28.9 million and EUR 47.4 million, respectively. For the fiscal year ended December 31, 2019 to the fiscal year ended December 31, 2020, our revenue increased from EUR 277,013 thousand on a Like-for-Like² basis to EUR 291,791 thousand, a 5.3% increase over this period despite COVID-19. We benefit from organic growth fueled by the clean energy transition in Europe and our existing footprint in our Natural Gas and Electricity Businesses throughout the periods under review as well as from our strategic acquisitions, notably the acquisition of Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH at the end of the fiscal year 2019 (these acquired companies together, "**Bohlen & Doyen**"). In addition, we have a solid order backlog of EUR 306.5 million as of December 31, 2020, which provides us with strong visibility regarding our revenue growth and enables us to allocate resources to new projects and investments efficiently.

Our business is divided into four separate segments: (i) Natural Gas, (ii) Electricity, (iii) Clean Hydrogen, and (iv) Adjacent Opportunities. This segmentation reflects our strategic view of our core and peripheral markets. While projects are generally assigned to one segment, they may be assigned to more than one segment on a pro rata basis.

- *Natural Gas*: Our Natural Gas segment involves the transportation and transformation of raw natural gas into conditioned natural gas for our customers. This is accomplished through a series of steps from the transportation of natural gas through high-pressure pipelines to processing in filtering and separation systems, compressor stations, storage and measurement systems, LNG terminals as well as gas pressure

² In order to improve the comparability of our audited consolidated financial statements for the fiscal year 2019 to the audited consolidated financial statements for the fiscal year 2020, we prepared like-for-like financial information for all income statement line items in the notes to our audited consolidated financial statements for the fiscal year 2020 ("**Like-for-Like Financial Information**" or "**Like-for-Like**"). Such Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen Bau GmbH, Wiesmoor and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor had been part of our Group for the full fiscal year 2019.

regulating and metering stations. We generated 74.0% of our revenue and EUR 34.8 million of our EBIT in the fiscal year ended December 31, 2020 in our Natural Gas segment. We generally manufacture our Natural Gas infrastructure solutions to fit our customers' individual requirements, allowing them to benefit from lower CO₂ emissions during the operation of our equipment and maintain very high operational safety standards. We provide such critical on-shore energy infrastructure solutions to natural gas projects of many of Europe's leading TSOs and certain energy and industrial companies, including Gascade, Open Grid Europe and Ontras. One of our pilot natural gas projects includes Project "Nesselgrund", located near Potsdam (Germany), which we are designing and constructing on a turn-key solution basis for our long-standing customer Ontras. Project "Nesselgrund" is an innovative CO₂ emission free gas pressure regulating and metering plant and is scheduled to be completed in October 2021. Through our innovative solution that avoids the current industry standard process of burning natural gas for heat compensation purposes, Ontras will be in the position to significantly reduce the CO₂ emissions of its natural gas grid if it were to equip all of its existing gas pressure regulating and metering systems with this new technology. We believe that this innovative technology will also be useful for other TSOs, certain DSOs and other energy and industrial companies in their CO₂ reduction efforts.

- *Electricity:* Our Electricity segment is focused on providing infrastructure for underground transportation and transformation of electricity produced from climate-friendly, non-fossil energy sources such as wind, solar, water and renewable raw materials. Our expertise in electricity transportation and transformation focuses on the landfall connection of offshore electricity and the installation of high-voltage underground cables through which this electricity is transported through a long-distance electricity grid, at the end of which connecting points in the form of transformer and converter stations as well as power-to-heat converters link this electricity grid to local energy distribution networks. The enactment of the revised German Federal Energy Line Expansion Act (*Energieleitungsausbaugesetz*) in 2015 laid the legislative framework for the rapid expansion of underground power lines, which led to new projects for installing underground power cables. As coal and nuclear power are currently being phased out in Germany, renewable energy sources are becoming an increasingly important source of energy and a major factor in the clean energy transition. For example, electricity generated from wind energy at windfarms in the north of Germany is increasingly used as an energy source and will have to be transported through a newly built electricity grid to local distribution networks in southern Germany as set forth in the current German NDP. The main driver for this development is the planned shutdown of nuclear power plants in southern Germany which means nuclear energy will no longer be available in the local distribution grids and wind power transported through the underground electricity highways will be used as a substitute. Through the construction of this underground electricity grid and its connecting points and the transportation of such electricity through this underground electricity grid, we seek to contribute to providing electricity from renewable energy sources to the ultimate end-user. We generated 12.4% of our revenue and EUR 7.7 million of our EBIT in the fiscal year ended December 31, 2020 in our Electricity segment. Similar to our Natural Gas segment, we develop tailored solutions to fit a customer's individual applications. We provide such critical on-shore energy infrastructure solutions for the operations of many of Europe's leading TSOs, and certain energy and industrial companies, including TenneT, Prysmian and ABB. One of the pilot projects in our Electricity segment includes Project "DolWin 6", a 45 kilometers onshore underground cable for transporting 900 MW of green offshore wind electricity from landfall to a converter station. We are constructing Project "DolWin 6", which is scheduled for completion by September 2021, for our customer TenneT. Through the use of our sophisticated in-house Horizontal Directional Drilling ("**HDD**") technology to bore and seal the casing for the underground cable, we are able to efficiently meet the stringent environmental preservation requirements required by our customer for this project.
- *Clean Hydrogen:* Our Clean Hydrogen segment involves the transformation of energy produced from climate friendly energy sources into clean hydrogen as well as its transportation to end-users. This is completed through a series of processing steps from the transformation of renewable energy through an electrolysis process to the processing and transportation of the resulting clean hydrogen through storage facilities, compressor stations, pipelines and gas pressure regulating and metering stations. Leveraging our expertise in our Natural Gas segment in handling complex gases at high pressures and in large volumes, we provide critical on-shore energy infrastructure solutions ranging from the construction of individual components to fully integrated, turnkey-solutions We generated 0.8% of our revenue and EUR 0.3 million of our EBIT in the fiscal year ended December 31, 2020 in our Clean Hydrogen business segment. EU estimates are that investments of up to EUR 470 billion will be made by 2050 (*Source: European Commission Hydrogen Strategy*)

in clean hydrogen in Europe in connection with the European Commission Hydrogen Strategy. Other research publications project an investment requirement of approximately EUR 430 billion by 2030 (*Source: Website European Clean Hydrogen Alliance*). The European Commission Hydrogen Strategy is a strategy to explore the potential of clean hydrogen to help the process of de-carbonizing the EU economy in a cost-effective way and in line with the 2050 climate-neutrality goal, the multitude of national hydrogen strategies as well as the development of a hydrogen backbone by major European TSOs and large energy consuming industrial players. As a result, we believe that our Clean Hydrogen segment will play an increasingly important role in the growth of our business, and we are committed to investing significant resources in the development of this segment. We seek to provide such solutions for the operations of many of Europe's leading TSOs as well as certain energy and industrial companies, many of which are long-standing customers or end-users of our solutions, including Evonik, Ontras, BP, and Siemens. One of our pilot projects in the Clean Hydrogen segment is Project "Get-H2-Nucleus", which is the first part of the European hydrogen backbone connecting the Evonik Chemical Park in Marl with the BP refinery site in Gelsenkirchen. The second part is the planned extension of the pipeline to connect it to an electrolysis facility at a power plant in Lingen. Project "Get-H2-Nucleus" is scheduled to be completed by 2024. We also engineered and built the world's first demonstration power-to-gas plant in Falkenhagen for the storage of wind power in the natural gas grid through the electrolysis of clean hydrogen, including a 1.6 kilometers hydrogen pipeline and feed-in station into the high pressure gas network of the customer. In this case the entire electrolyzers were provided by the customer. While we design, engineer and install the entire balance of the plant for an electrolyzer facility, we do not and will not produce electrolyzer stacks as we believe that this technology will become a commodity in the near future and therefore will not offer attractive margins in the long run.

- *Adjacent Opportunities:* We also focus on related turnkey technologies, such as the treatment and purification of biogenic and synthetic gases, heat extraction technologies used in district heating and solutions for the transportation of drinking and waste water as well as special solutions for the chemical and petrochemical industry. We generated 12.8% of our revenue and EUR 4.9 million of our EBIT for the fiscal year ended December 31, 2020 in our Adjacent Opportunities segment.

In addition to our segments, we divide our business into four separate business divisions for operating purposes: (i) Planning & Design business division, (ii) Energy Grid Infrastructure business division, (iii) Energy Transformation business division and (iv) Services and Operations business division. All four business divisions are included in each of our segments.

Within our Services and Operations business division, we provide our customers with comprehensive aftermarket services offering for all four segments, which includes the on-site operation of pipelines, plant maintenance, gas detection services, parameter adjustments, remote monitoring and control, maintenance and repair work and cathodic corrosion protection, as well as technical assistance, logistic support, parts supply, simulation solutions, technology trainings and a number of special services. We generated 16.9% of our revenue for the fiscal year ended December 31, 2020 through our aftermarket services offering and the revenue are included for financial reporting purposes in the four segments above. We provide our aftermarket services offering as part of our original infrastructure solutions offering to our customers and on a stand-alone basis for projects completed by other energy infrastructure providers. We intend to grow our market share in our aftermarket services offering in the future as the complexity of the new technological breakthroughs, for example, in CO₂ reduction technologies and clean hydrogen will increase the need for our technological know-how and experience.

Some of our turnkey solutions are shipped globally to selected customers as so-called containerized solutions. We produce containerized solutions in all of our four segments. These systems are manufactured and assembled in Germany or Poland and are subject to a final acceptance test that is carried out at one of our German production plants. The containerized solution is then shipped or flown to the country of installation where it is installed by the customer under the supervision of our engineers or project managers, or in some cases, installed directly on site by our installation teams depending on customer needs and capabilities.

We have completed four acquisitions during the periods under review, including the acquisition of Bohlen & Doyen in 2019. Such acquisitions are an integral part of our strategy to capture a larger share of the significant market potential resulting from the clean energy transition. In addition to our organic growth, we use these acquisitions as

a catalyst for future growth to obtain new specialized technologies, extend our regional footprint and expand execution capacity through fully certified employees with complementary competencies.

We distribute our equipment and solutions in our markets primarily through the "Friedrich Vorwerk" brand and through legacy brands, in particular the Bohlen & Doyen brand in markets where such brands are better known, such as in underground on-shore cable projects and HDD drilling projects. We believe that our brands represent high quality energy infrastructure solutions and services and that these brands are widely recognized in the energy infrastructure market for their sophistication and ground-breaking projects.

We are primarily focused on the German market and also generate revenue in neighboring countries such as Denmark, France and Switzerland. We seek to continue our European expansion, particularly in the BeNeLux countries and later in Spain. For the fiscal year ended December 31, 2020, we generated 95% of our revenue in Germany. Outside of Germany we currently operate one manufacturing plant in Poland. Given the strategic shift in the European energy market fueled by the clean energy transition and initiatives, such as the European Green Deal, among other factors, we intend to expand our operations within Europe, with a focus on servicing the industrial regions in the BeNeLux countries as well as Spain with their strong wind and solar power generation potential, respectively. Our critical on-shore energy infrastructure equipment and solutions are designed to meet high quality standards and we seek to obtain applicable certifications under international standards as required by the energy infrastructure industry and our customers.

We are headquartered in Tostedt, Germany. Our other major operating sites are located in Halle (Saale), Wiesmoor and Herne (all Germany). As of December 31, 2020, we had 1,304 employees.

10.2. Competitive strengths

We believe that our key competitive strengths include the following:

10.2.1 We have almost 60 years of proprietary technology leadership in the design, realization and operation of system critical energy infrastructure.

We believe we are a leading fully integrated solution provider for critical on-shore energy infrastructure in Germany and Europe. In the past, our customers (primarily TSOs and certain energy and industrial companies) outsourced their infrastructure engineering and construction units which deprived them of the internal resources to coordinate and execute large scale projects. In light of the significant infrastructure investments required in connection with the clean energy transition, customers are increasingly turning to critical on-shore energy infrastructure solution providers which offer turnkey solutions and one point of contact in order to avoid long delays and cost overruns. We address these needs with our value chain covering a wide range of highly specialized energy transformation processes and the construction of energy grids using our intelligent infrastructure management tools. Such tools include digital monitoring and remote-control systems, emergency shutdown systems and software modules developed for Siemens-, ABB- and Alan Bradley-control systems, backed by a complete service and operations portfolio. Our energy transformation solutions typically start with detailed customized technical and process engineering and involve the construction of pressure control and measuring systems, separation systems, compressor and pump stations, transformer and converter stations and electrolyzers. This is complemented by a wide range of solutions in the construction of energy grids, ranging from obtaining public and private permits to highly specialized building processes such as automated welding processes, no-dig HDD procedures and non-destructive cable pull processes. In addition to our standard service and maintenance concepts, we offer our customers bespoke service solutions, including remote monitoring/flow metering and quality and safety control as well as corrosion protection solutions up to the complete operation of the customer's infrastructure. Our solutions are primarily based on modern digital management software systems which we develop and intelligent infrastructure management components, some of which are proprietary and all of which are adapted to necessary technical requirements of the customer's solutions.

In addition, we believe we have a strong position in several attractive technological niche markets such as HDD, cathodic corrosion protection, flow metering (OrQa®), engineering and production of heat-exchangers and pressure-vessels, explosion protected ("ATEX") compliant electrical systems and stress-testing of pipeline

infrastructure which allow us to address customer needs without relying on external providers of these often scarce and expensive services and products.

Apart from ongoing co-development with our customers of highly customized technological solutions, we also have a dedicated research and development ("R&D") team focused on the development of state-of-the-art technologies, components, software modules, engineering and simulation processes and testing facilities as well as equipment crucial to the further development of the energy infrastructure industry.

10.2.2 We have a long track-record in the energy infrastructure market which is characterized by high technological and operational barriers to entry.

Our long track-record in the energy infrastructure market, which is characterized by high technological and operational barriers to entry, has allowed us to build strong long-term relationships with many of the largest energy companies which rely on our energy infrastructure equipment and technology. We capitalize on these relationships as they provide multiple cross-selling opportunities to other potential customers permitting us to further expand our customer base. Our ability to provide our customers with one-stop shop solutions for energy infrastructure is another differentiating factor because of our customers' limited execution capacity in engineering, construction and operations. In addition, we are able to provide many of our customers with financing guarantees in the form of sureties which new competitors which wish to enter the market may not be able to provide. The operation and servicing of the energy infrastructure, including the electricity grids, pipelines and other equipment, involves extensive technical and regulatory requirements, therefore heightening the entry barrier for new energy infrastructure solutions providers. We have an extensive number of national and international technical and business certifications to design, build, operate and service the entire energy infrastructure, including DIN EN ISO 14001, various DVGW ("*Deutscher Verein des Gas und Wasserfaches*") certifications and various ASME ("*American Society of Mechanical Engineers*") certifications (the ASME certifications are US specific standards which are the prerequisites to participate in tender processes in many countries outside of Europe), which are synonymous with outstanding technological standards in the energy infrastructure industry. Obtaining and maintaining certifications over long periods of time can be challenging and also requires a very technically skilled workforce, which is not easy to maintain in the energy infrastructure market. Moreover, significant other operational barriers to entry exist, such as the requirements for significant initial start-up investments to reach critical mass and economies of scale as well as significant R&D investments and innovations in order to be able to develop and produce high quality and price competitive equipment and technology.

10.2.3 We have long-standing relationships with our existing customers in the natural gas and electricity businesses and have developed numerous solutions for the energy and energy sources infrastructure market, which can be adapted and cross-sold to such customers as the clean hydrogen market significantly grows in the near future.

We have long-standing relationships with many of our customers in the natural gas and electricity markets. Our customers are largely regulated TSOs and energy and industrial companies, which often have a significant foothold in their markets. As a result of their obligation to provide essential services in their local markets, these customers place utmost importance on safety and reliability in the execution and operations of their projects. Since we have long-standing relationships with these customers and have consistently delivered high quality critical on-shore energy infrastructure solutions to them, we have become a preferred supplier. Our key customers in Germany and Europe include in our Natural Gas segment Open Grid Europe GmbH, Gascade Gastransport GmbH, Ontras Gastransport GmbH and in our Electricity segment TenneT TSO GmbH, ABB Ltd, E.ON Energie Deutschland GmbH. Taken together, the group companies of Vorwerk Group (including Bohlen & Doyen) have generated a cumulative revenue from all of these customers of more than EUR 520 million since January 1, 2015.

We believe that our long-standing relationships with these customers and success in the high pressure natural gas grid market and in the electricity market have established a strong basis of trust with these customers. Some of these customers are also planning to install hydrogen electrolysis capacity. Projects with approximately 500 MW have already been announced publicly. As a result, we believe that we can cross-sell our energy infrastructure equipment and technology in our Clean Hydrogen segment to these customers. In addition, eleven European gas infrastructure companies, of which many are our customers, have established plans to construct a pan-European

hydrogen transportation backbone with an estimated investment volume of up to EUR 64 billion by 2040 (*Source: European Hydrogen Backbone Report*). We believe that we will be able to further capitalize on our long-standing customer relationships, in particular to grow our Clean Hydrogen segment.

10.2.4 We have a strong, stand-alone aftermarket services business through which we strengthen existing customer relationships.

In addition to providing aftermarket services for our own projects, we also have a strong, stand-alone aftermarket services offering. For example, we have a maintenance and service agreement with Ontras for part of its East German high-pressure gas network until 2025 generating revenue from recurring tasks as well as additional revenue from unplanned but necessary operational measures such as repairs, extensions and refitting. This enables us to leverage our technological know-how, highly skilled technical workforce and intelligent infrastructure management systems to match the increasing demand for such work and strong growth potential as the energy infrastructure market for natural gas, electricity and clean hydrogen grows rapidly. Our aftermarket services offering provides us not only with plannable, recurring revenue streams but also with new project opportunities, in particular with customers seeking assistance in adapting their existing natural gas grid for the use of clean hydrogen. In the fiscal year ended December 31, 2020, approximately 17% of our overall revenue were attributable to aftermarket services (as compared to approximately 13% for the fiscal year ended December 31, 2019 on a like-for-like basis).

10.2.5 We have experienced double digit revenue growth with growing double digit margins and a strong order backlog, which give us a reliable outlook on future revenue and cash flows.

We have successfully generated significant revenue growth with growing margins and a strong order backlog. Historically, we were able to generate a compound annual growth rate of 15.3% between the years 2014 and 2020, excluding the acquisition of Bohlen & Doyen, and 22% including the Bohlen & Doyen Acquisition upon its implementation. As a result of our focus on profitable growth, during fiscal years 2018, 2019 and 2020, we were able to generate an EBIT margin of 12.5%, 14.7% (on a like-for-like basis) and 16.3%, respectively. This compares to EBIT margins of other players active in the energy transformation market of approximately 16%, the energy infrastructure & energy services market of approximately 10%, the energy grids market of approximately 5% as well as the hydrogen market of approximately 6%, thus underlining our strong competitive edge as a fully integrated solution provider for technologically sophisticated critical energy infrastructure solutions.³

For the periods under review, our revenue has increased by 69.4% and 62.4% on a year by year basis from 2018 through 2020 and our Adjusted EBIT has grown by 119.1% and 63.8%, respectively, over the same period. As a result, our Adjusted EBIT margin increased from above 12% in fiscal year 2018 to 16.3 in fiscal year 2020. As of December 31, 2020, we had a high order backlog which totaled EUR 306.5 million. Broken down by segment and with respect to the fiscal year ended December 31, 2020, our Natural Gas segment accounted for 73% of the Adjusted EBIT, the Electricity segment accounted for 16% of the Adjusted EBIT, our Clean Hydrogen segment accounted for 1% of the Adjusted EBIT and the remaining 10% were attributable to the Adjacent Opportunities segment. We also have a number of important projects in negotiation, which were not included in the order backlog as of December 31, 2020, including, for example, a new compressor station for Open Grid Europe in Ledge, the CENAM closed loop high pressure test facility in Mexico, a district heating pipeline "Südleitung" for Wärme Hamburg, a Magdeburg 2 MW electrolyzer, and various other projects lots with respect to the planned electricity highways for a total of between approximately EUR 230 million and EUR 600 million.

We were able to and intend to further achieve this performance specifically through: (i) proactive management of our business portfolio, which has allowed us to focus on our most attractive and profitable business equipment and technology, (ii) a policy of strict performance benchmarking within our subsidiaries, (iii) investments in state-

³ EBIT margins are based on the average Bloomberg consensus estimates for 2022, retrieved on January 29, 2021 for energy transformation companies (Weir Group 14.4%, Neles 15.4%, Spirax Sarco Engineering 22.6%, Chart Industries 14.1%, Alfa Laval 15.6%), for energy infrastructure & energy services companies (Spie 5.6%, Vinci 11.1%, Orsted 20.7%, Bilfinger 3.5%) as well as for hydrogen companies (Nel -9.3%, McPhy Energy -7.4%, Plug Power 7.0%, Air Liquide 19.1%, Linde 22.8%). The EBIT margin for energy grids companies is based on the average EBIT margin filed in the public register (*Bundesanzeiger*) for 2018 (Max Streicher 10.1%, Ludwig Freytag 9.4%, Denys 2.2%, PPS Pipeline Systems 0.5%, Anton Meyer 4.2%).

of-the-art energy infrastructure solutions, (iv) streamlining of our aftermarket services offering, (v) extensively increasing our handling capacities for new projects while maintaining a high level of adaptability, and (vi) a proactive and efficient external growth policy focused on obtaining new technologies by acquiring smaller regional players with fully certified employees and complementary competencies to build our highly technically skilled workforce and gradually increase our regional footprint in neighboring countries. We already generate revenue in neighboring countries of Germany such as France, Denmark and Switzerland and intend to expand our operations, particularly in the BeNeLux countries and later Spain in light of the increased market demand for our energy infrastructure equipment and services. In addition, because many of our most important customers are subject to extensive governmental regulations, they are (i) focused on providing a reliable and safe infrastructure for the provision of energy to the end users and (ii) are able to pass on part of the investment costs to the end-users within the regulatory framework.

In addition, we have developed an asset-light business model, focusing on value creation while outsourcing capital intensive and commoditized steps. By maintaining low capital expenditure ratios of 4.9%, 3.4% (on a like-for-like basis) and 7.0% (calculated as percentage of revenue) for the fiscal years ended December 31, 2018, 2019 and 2020, respectively, through the outsourcing of capital intensive and commoditized steps, we are also able to generate significant cash flows, which has allowed us to achieve an equity ratio of 36.0% as of December 31, 2020 and low levels of indebtedness or even net cash positions and continue to pursue our accretive M&A strategy. Over the fiscal years 2018, 2019 and 2020, we were able to achieve a cash conversation ratio (on a like-for-like basis; calculated as (EBITDA minus capital expenditures) divided by EBITDA) of approximately 73%.

10.2.6 Our business is led by a highly experienced management team, is based on a talented and highly motivated and technically skilled workforce and is supported by a committed CEO who is also a major shareholder.

Our senior management team, including first and second level management, has extensive experience across the energy infrastructure industry and has an excellent track record in the execution of our growth strategy and in improving operational efficiencies and synergies. Our CEO, Mr. Torben Kleinfeldt, joined us in 2001 and has more than 20 years of experience in the critical on-shore energy infrastructure industry. He currently holds approximately 33% of the outstanding shares in the Company on a pre-IPO basis and is significantly committed to ensuring the future growth and success of the Company. In his role as general manager and major shareholder, he has been principally responsible for the successful development and growth of our Company over the last 12 years, having developed key relationships with our most important customers. Our CFO, Mr. Tim Hameister, has six years of experience in the energy industry with a particular focus on financial and accounting matters, having worked previously as head of group accounting at Encavis AG. Our senior management team is further supported by a strong team of qualified managers with relevant industry expertise and a strong track record of execution in respect of both organic and external growth initiatives on an international scale and excellent contacts to the senior management of our most important customers. Given their combined technological, commercial and financial expertise, we believe that we are well prepared to further expand our business through the successful implementation of our growth strategy. In addition, our second level management, including general managers and authorized signatories (*Prokurist*), has about 20 years of industry experience on average, most of which was gained with the Company.

Because our business relies on sophisticated engineering and technological know-how, many of our engineers have specific technological know-how and expertise which is crucial to our ability to be able to offer a one-stop shop to our customers` technological needs across the entire value chain in the energy infrastructure industry.

10.3. Strategy

Our mission is to strengthen our position as leading European fully integrated solution provider for the critical on-shore energy infrastructure industry, and to growing significantly on the basis of the expected growth in the energy infrastructure market in general and the clean hydrogen industry in particular. To this end, we will put the following strategic initiatives into action:

10.3.1 We intend to leverage our technological expertise to benefit from the foreseeable significant investments in the natural gas, electricity and clean hydrogen markets throughout Europe.

As a fully integrated service provider for critical on-shore energy infrastructure, we are in a unique position to capitalize on hundreds of billions of Euros in publicly announced investments in our core business operations, including natural gas, electricity and clean hydrogen. Our business is ideally suited to benefit from favorable long-term megatrends in the European energy infrastructure market aimed at reducing CO₂ emissions, including political pressure to implement climate protection and anti-global warming measures, national targets to reduce dependency on fossil fuel and the decrease of CO₂ emissions, the transition toward clean energy technologies, significantly improved relative cost competitiveness of green energy and a tendency to increasingly outsource the operation of energy infrastructure.

The German market, in particular, benefits from the ongoing energy transition from nuclear and coal power production to sustainable, green energy. To facilitate the energy transition to a carbon-neutral environment, the German government introduced measures in 2011 and 2019, respectively, to gradually phase out nuclear and coal power plants. The German government has decided to phase out nuclear power by 2022 and coal power by 2038 and in turn set targets to increase the use of clean energy technologies such as clean hydrogen (*Source: BMWi*). Based on the European Hydrogen Strategy, it is estimated that clean hydrogen could account for as much as 13-14% of Europe's energy mix by 2050 vs. 2% today (*Source: European Hydrogen Strategy*). The European Union has also recently announced its intention in its so-called European Green Deal to mobilize approximately one trillion Euros in public assistance, incentives, budget expenses and various forms of public and private investment to support the development of a climate neutral and circular economy (*Source: Investing in a Climate-Neutral and Circular Economy: The European Green Deal, The European Commission, January 2020*). According to the European Clean Hydrogen Alliance, it is expected that up to EUR 430 billion will be invested in the European hydrogen industry by 2030 (*Source: European Clean Hydrogen Alliance*).

Through our technological expertise and growth strategy, we intend to capitalize on such investments. For example, the most recently updated and publicized plans of the German Federal Network Agency indicate high investment volumes: The NDP Gas 2020-2030 (Draft) indicates an investment volume of more than EUR 5 billion into Germany's high-pressure natural gas infrastructure by 2026 (based on year of project completion). Moreover, the confirmed NDP Electricity 2019-2030 stipulates a total investment volume of EUR 30 billion into the – mostly underground – high voltage DC (HVDC) grid, of which at least EUR 17 billion will likely be invested by 2026. In addition, we will benefit from necessary investments for the installation and connection of numerous gas, hydrogen and methane power plants needed to offset the loss of coal and nuclear power. Finally, we intend to also generate revenue from aftermarket services and operations as well as opportunities outside of Germany. We intend to invest an aggregate amount of approximately EUR 75 million within the next three to five years, predominantly for clean hydrogen technology development.

10.3.2 We aim to further leverage our long-standing relationships and expertise in the natural gas and electricity businesses to cross sell our equipment and technologies in the clean hydrogen industry.

Based on our almost 60 years of experience as a fully integrated turnkey provider of complex and innovative solutions in the energy infrastructure industry, we have accumulated extensive know-how and invested in research and development in a variety of technologies which enables us to transfer these technologies to the clean hydrogen market, including the construction of pipelines, compressor stations, filtering and separation systems, storage and measurement systems as well as pressure regulating and metering stations. We believe that our existing customers in the natural gas and electricity energy markets will play a major role as providers of energy grid infrastructure related to clean hydrogen production and distribution in the future. We intend to leverage our long-standing relationships with these customers to cross-sell our turnkey expertise as well as our solutions and technologies in our Clean Hydrogen segment. Based on these existing strong relationships, we have already sold energy infrastructure solutions for our Clean Hydrogen segment to selected customers in the past and expect to continue and increase this trend to the same customers in the future. We intend to leverage our current reference customers to attract additional customers and in particular to acquire orders from TSOs and utilities. We also intend to capitalize on our stand-alone aftermarket business to win clean hydrogen projects from customers who have not yet purchased newly built energy infrastructure equipment from us. Lastly, through our memberships in Europe's leading industry associations such as the European Clean Hydrogen Alliance or Hydrogen Europe, which

we have joined in February 2021, we strive to continuously engage with partners, researchers as well as policy makers in order to actively shape the hydrogen industry of the future.

10.3.3 We strive to develop further technologies and to further strengthen our technological expertise.

Our solutions for the natural gas and electricity and clean hydrogen markets provide our customers with high quality, cost effective and environmentally sound infrastructure. As part of our strategy to be increasingly recognized as a technological leader in the energy infrastructure market, we intend to step up our investments in R&D to develop new equipment and technologies. Some of these investments include technologies to reduce CO₂ emissions in the construction of pipelines, adapting existing technologies for hydrogen applications and investing in niche markets to strengthen our turnkey capabilities.

To further expand and demonstrate our technological expertise in the energy infrastructure market, we are working on a number of solutions, such as the approval by the Weights and Measures Office for our proprietary OrQa® flow metering system for which a European patent is pending, hydrogen-ready pressure regulating valves, vortex tubes for gas-flow separation in high pressure and large volume installations, purification of biogenic-gases by membrane separation and amine wash and standardized electrolyzer control systems, which we intend to introduce into the market in the mid term.

10.3.4 We intend to increase our European footprint by ramping up our capacity, gaining new customers and through strategic acquisitions.

We intend to leverage our strong position in the Natural Gas and Electricity businesses based on our technology leadership and our German customer base further to expand our business in Europe. Operating out of Germany, we currently generate revenue in France, Denmark and Switzerland and intend to expand our Natural Gas and Electricity businesses to other European countries such as the BeNeLux countries and later in Spain. In order to ramp up our European capacity, we have also carried out investments in manufacturing facilities in Poland. In the future, we intend to build engineering, manufacturing and servicing hubs in Belgium and the Netherlands as the future turnstile regions of the European Hydrogen grid region and later in Spain and Portugal as the potential leading producing regions of solar energy in Europe.

We also seek to expand our global business for containerized technological solutions as we have already done with Siemens on fuel-gas stations for large gas-turbines, with Agricomp on gas purification units for biogas plants and for our weighing, measuring and calibration loops as we produced for the Pigsar brand of Vier Gas Services.

Moreover, we intend to expand our operations through strategic acquisitions, such as the Bohlen & Doyen acquisition in 2019, to take into account the anticipated significant increase in demand and the new applications of energy infrastructure solutions to the energy infrastructure market. Potential targets for such acquisitions include direct competitors whose acquisitions can expand our key business areas quickly, smaller regional players with fully certified employees and complimentary competencies to build our highly technically skilled workforce. To further grow in the BeNeLux countries and later expand to Spain, we are also looking into strategic acquisitions and appropriate targets in such regions.

10.3.5 We intend to increase our share in the aftermarket services and operation business, offering a high level of recurring revenue with attractive margins.

We complement our business with a comprehensive aftermarket services offering for all four of our segments, which includes the on-site operation of pipelines, plant maintenance, safety monitoring and fault detection services, remote control and parameter adjustment services, maintenance and repair work and cathodic corrosion protection, as well as technical assistance, logistic support, parts supply, simulation solutions, technology trainings and a number of special services. We provide our aftermarket services both as part of our original contract offering to our customers as well as on a stand-alone basis for projects completed by other providers of energy infrastructure projects. Because these aftermarket services offer a high level of recurring revenue with attractive margins, we intend to increase our share in aftermarket services revenue by increasing our offering of such services. This business also gives us the opportunity to increase contact with existing and new customers and broaden the appeal for our new technologically advanced equipment and technology.

We believe our customers are attracted to our aftermarket services because most of our equipment and technology is of such a complex nature that it would be inefficient for our customers to train their own maintenance personnel. For example, we have a maintenance and service agreement with Ontras for the East German high-pressure gas network.

We believe that we have substantial growth potential in the market for aftermarket services in the future as we expand our energy infrastructure solutions.

10.4. History and Formation of the Vorwerk Group

Since 1962, the predecessors of Friedrich Vorwerk KG (GmbH & Co.) were active in the fields of natural gas, electricity and increasingly hydrogen and offered their customers reliable solutions for state-of-the-art energy infrastructure.

The history of our business is as follows:

- In 1962, the company "Kleesch & Vorwerk" was founded in Tostedt by Friedrich Vorwerk and Wilhelm Kleesch. Kleesch & Vorwerk initially specialized in dredging activities as a subcontractor to construction companies.
- In 1972, the name of the Company formerly known as Kleesch & Vorwerk was officially changed to Friedrich Vorwerk KG (GmbH & Co.). The first office and production site were established in Lüchow in 1975.
- In 1990, Heitkamp Vorwerk Rohrleitungs GmbH & Co. KG, a 50/50 joint venture with the company Heitkamp, was founded in Halle (Saale). This company specialized in pipeline construction. In 1997, Vorwerk purchased the remaining shares and renamed the company Friedrich Vorwerk Rohrleitungsbau GmbH & Co. KG.
- In 2001, Friedrich Vorwerk KG (GmbH & Co.) expanded its Energy Engineering business division by founding the Vorwerk Pipeline- und Anlagenservice GmbH in Halle and acquired the ASA Gesellschaft für Schweißarbeiten und Rohrleitungsbau GmbH in Herne, which subsequently continues to operate independently under the name Vorwerk-ASA GmbH.
- In 2002, the branch in Lüchow was integrated into Friedrich Vorwerk KG (GmbH & Co.). The four companies Friedrich Vorwerk KG (GmbH & Co.), Friedrich Vorwerk Rohrleitungsbau GmbH & Co. KG, Vorwerk Pipeline- und Anlagenservice GmbH and Vorwerk - ASA GmbH with their different fields of work comprise the Vorwerk Group.
- In 2012, European Pipeline Services GmbH was newly established by EAS Einhaus Anlagenservice GmbH and Friedrich Vorwerk KG (GmbH & Co.). Since then, the Company has taken over the testing and inspection activities for pipelines and electricity grids.
- In 2013, Friedrich Vorwerk Rohrleitungsbau GmbH & Co. KG was merged into Friedrich Vorwerk KG (GmbH & Co.).
- In 2015, an additional location of Vorwerk Pipeline- und Anlagenservice GmbH was established in Tostedt, which specializes in services and aftermarket services for biogas upgrading plants.
- In 2018, the Company acquired EAS Einhaus Anlagenservice GmbH, which specialized in production site services and welding of highly alloyed steels, as well as assets from MESA Elektrotechnik GmbH, which specialized in electric instrumentation and programming of intelligent infrastructure management systems, to complement the Energy Engineering business division and expand the Company's competence in the field of electronic measurement and control technology.
- In 2019, the Company acquired Bohlen & Doyen Bau GmbH along with Bohlen & Doyen Service und Anlagentechnik GmbH from SPIE SAG GmbH to expand the capacity of Vorwerk's business divisions as well as to acquire additional technological competence in underground power cable construction and HDD.

Moreover, assets from Energy & Environment Engineering GmbH (EEE) were acquired to expand the technology portfolio for specialized flow measurement (OrQa®), which has since continued to operate independently under the name Vorwerk-EEE GmbH.

- In 2020, the structure of the group of companies was reorganized through the acquisition of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE. As a result, the name of Friedrich Vorwerk KG (GmbH & Co.) was changed to Friedrich Vorwerk SE & Co. KG.

10.5. Our Segments

Our business is divided into four separate segments: (i) Natural Gas, (ii) Electricity, (iii) Clean Hydrogen, and (iv) Adjacent Opportunities. This segmentation reflects our strategic view of our core and peripheral markets. While projects are generally assigned to one segment, they may be assigned to more than one segment on a pro rata basis.

The four segments are:

- **Natural Gas** – In our Natural Gas segment, we group all projects and partial projects that contain solutions and services to customers in the natural gas infrastructure market. We have a clear focus on the midstream sector of the market, *i.e.*, the on-shore transportation and transformation of raw natural gas into conditioned natural gas for TSOs, DSOs and to a lesser extent energy and industrial companies. We plan, engineer, build, operate and maintain infrastructure solutions for the on-shore transportation of natural gas through high-pressure pipelines and storage facilities as well as for the conditioning of the gas in filtering and separation systems, in compressor stations and pressure regulating and metering stations. Our top customers measured by cumulated revenues from fiscal year 2015 to fiscal year 2020 include Open Grid Europe, Gascade, Ontras, Netzgesellschaft Berlin-Brandenburg, Thyssengas and GASUNIE. We generated 74.0% of our revenue and EUR 34.8 million of our EBIT in the fiscal year ended December 31, 2020 in our Natural Gas segment.
- **Electricity** – In our Electricity segment, we group all projects and partial projects that contain solutions and services to customers in the electricity infrastructure market. We have a clear focus on the on-shore transportation and transformation of electricity produced from climate-friendly, non-fossil energy sources such as wind, solar, water and renewable raw materials. We plan, engineer, build, operate and maintain infrastructure solutions for the on-shore underground transportation of high-voltage AC- or DC- electricity over long distances (typically from the landfall of off-shore electricity cables to distribution networks elsewhere in the country or in other European countries) as well as solutions for the transformation of electricity into the required form for onward transportation regarding voltage and type of current. Our key customers in the Electricity segment measured by cumulated revenues from fiscal year 2015 to fiscal year 2020 include Tennet, ABB, E.ON, EWE, Innogy and Prysmian. We generated 12.4% of our revenue and EUR 7.7 million of our EBIT in the fiscal year ended December 31, 2020 in our Electricity segment.
- **Clean Hydrogen** – In our Clean Hydrogen segment, we group all projects and partial projects that contain solutions and services to customers in the hydrogen infrastructure market. We have a clear focus on infrastructure for the electrolyzation of hydrogen and its on-shore transportation and storage for TSOs, DSOs and to a lesser extent energy and industrial companies. We plan, engineer, build, operate and maintain infrastructure solutions for the industrial production of hydrogen in the form of electrolyzer stations, focusing on the so-called balance-of-plant parts and peripheral attachments of such systems, such as heat exchanger solution to increase the efficiency of the electrolyzing process. We also plan, engineer, build, operate and maintain infrastructure solutions for the on-shore transportation of hydrogen through high-pressure pipelines and storage facilities as well as for the conditioning of hydrogen in filtering and separation systems, in compressor stations and pressure regulating and metering stations. We seek to provide such solutions for the operations of many of Europe's leading TSOs as well as certain energy and industrial companies, many of which are long-standing customers or end-users of our solutions, including Evonik, Ontras, BP, and Siemens. We generated 0.8% of our revenue and EUR 0.3 million of our EBIT in the fiscal year ended December 31, 2020 in our Clean Hydrogen business segment.
- **Adjacent Opportunities**– In our Adjacent Opportunities segment, we bundle all other projects and partial

projects that do not fall into any of the above three segments but require related or similar technological approaches. These include (i) solutions and services for district heating, (ii) solutions and services for the fresh-water or waste-water transportation and treatment, (iii) solutions and services for the chemical and petrochemical industry with a focus on the on-shore transportation and storage of chemicals as well as (iv) solutions and services for the purification and transportation of biogenic and synthetic gases. We generated 12.8% of our revenue and EUR 4.9 million of our EBIT for the fiscal year ended December 31, 2020 in our Adjacent Opportunities segment.

10.6. Our Business Divisions

In addition to our segments, we have clustered each segment in four business divisions along our value chain and considering certain technological aspects. Our specialized technologies and solutions allow our customers to operate and manage large-scale natural gas, electricity and clean hydrogen infrastructure. We offer our technologies and solutions to our customers individually and as integrated turnkey solutions through the following four business divisions:

- Planning & Design business division;
- Energy Grid Infrastructure business division;
- Energy Transformation business division; and
- Service and Operations business division.

These business divisions, including their energy infrastructure solutions are described in detail in the following paragraphs:

10.6.1 Planning & Design business division

Our Planning & Design business division is the first step of our value chain. Through this business division, we design and execute the entire meta-planning and technical design of a project and support our customers in planning law procedures and approval processes. Many of the activities of our Planning & Design business division specifically apply to on-shore transportation infrastructure projects. For energy transformation projects, the business division also conducts the grid infrastructure engineering as well as process engineering of the individual systems and plants. The main activities of this business division include:

10.6.1.1 Meta-planning and technical design

At the beginning of a particular project, we determine together with our customers the basic project parameters of a project, such as the start and end point of a pipeline or cable project as well as the medium to be transported (e.g., natural gas, hydrogen, electricity, heat, water). At this point in the process, the physical state, temperature, pressure or voltage level as well as the particular properties of the medium, for example, with hazardous substances which require specialized handling, are defined and have to be taken into account in the subsequent engineering steps. Based on this analysis, we typically conduct a number of studies such as geological feasibility studies where the geological and topological conditions of several possible routes are analyzed and evaluated by our own geologists. Based on these studies, we derive a concrete project design with defined nominal values and parameters including pipeline or cable tunnel length, defined pipeline or cable tunnel dimensions and materials, a detailed pressure stage design as well as specific energy transformation infrastructure layouts. Especially for hazardous or abrasive substances, hard to handle gases such as hydrogen, and projects involving challenging soil conditions, we adapt and optimize the design and the materials required to deliver safe, reliable and cost-efficient cable and pipeline systems to our customers. In addition, we consult our customers on optimized combinations of pipeline materials and pipeline strengths (thickness) to improve the economics of our projects.

10.6.1.2 Approval planning, rights of ways and land acquisition

The next step is the specific route search, which in Germany is a controlled approval procedure under the

authority of the applicable state agency in which the project is undertaken (e.g., in Lower Saxony, the State Office for Mining Energy and Geology (*Landesamt für Bergbau, Energie und Geologie*) for gas pipeline projects and the State Office for Roadwork and Traffic (*Landesamt für Straßenbau und Verkehr*) for electricity lines). Under the German Environmental Impact Assessment Act (*Umweltverträglichkeitsprüfungsgesetz*), specific pipeline or cable tunnel lengths and dimensions have different approval mechanisms. Projects are generally approved in a two-step approval process: The first is a regional planning procedure (*Raumordnungsverfahren*) and the second is a plan approval procedure (*Planfeststellungsverfahren*). Through our Planning & Design business division, we already consider the implications of specific project designs in the meta-planning and technical design phase as described above to ensure that they are approved in each step of this two-step approval process. For projects in other European countries, we take into account local law considerations as appropriate.

The purpose of the planning procedure is to evaluate different route corridors and line layouts and weigh the advantages and disadvantages of these different options considering proximity to existing infrastructures, circumvention of metropolitan areas as well as geological and ecological aspects. Once a basic route is defined and approved by the responsible authority, the planning approval procedure provides for a detailed route planning, including the definition of all individual properties through which the route will pass. We primarily provide the detailed technical planning of the defined route in this process and consult with various other planning bureaus providing geological analysis, ecological and environmental expert opinions as well as operational safety concepts. These consultation processes typically follow several re-iterations until a final route plan is defined. In many cases, we support our customers through planning and our technical expertise but the responsibility to approve typically remains with our customers.

Once a final and binding route plan is approved, we coordinate the rights of way and land acquisition to allow for the execution of the project. In all of these process steps, we provide our customers with the technical and procedural expertise required to realize viable pipeline and underground cable projects.

10.6.1.3 Grid infrastructure engineering

Based on the approved route plan, our engineers determine the lining of the pipeline or underground cable. In case of pipelines, we analyze all pipeline segments, which are frequently provided by our customers, based on their strength, value and safety coefficient (*Festigkeitskennwert und Sicherheitsbeiwert*). The strength, value and safety coefficient determines the strength and other material properties of each individual pipeline segment and varies naturally based on the circumstances of the steel melting processes of different producers. We then carry out an intensive air borne laser scanning and GPS tracing analysis of the route. Based on the results of such analysis, our engineers calculate curve angles for each individual bend along the entire route. Regarding pipelines, for each curved segment our engineers determine the appropriate and required material properties in order to ensure their cold bending capacities. The quality of this engineering determines whether all bends can be produced according to plan. This is a crucial process because typically tolerances of less than 1° per bend have to be ensured because completed pipelines are installed across large distances with a permissible deviation to the track defined by the official planning approval notice (*Planfeststellungsbescheid*) of a maximum of the equivalent of the diameter of the pipeline. At the same time, our engineers plan and coordinate every subsequent step of the process including the work strip preparation, trenching, stringing and welding of pipeline infrastructure.

10.6.1.4 Plant technical design & process engineering

In connection with our energy transformation infrastructure, we determine the specific location of structures, buildings, appliances and connection-points as part of our detailed technical planning. In addition, among other aspects, all technical parameters of compressor and pump stations, gas pressure regulating and metering systems as well as maintenance test stations are determined based on individual customer requirements. Establishing the correct parameters during this project phase is a prerequisite to meet all the customer's requirements in terms of safety, availability and transport capacity when it is commissioned and put into operation at a later date.

Depending on the type of system, our engineers develop detailed process layout designs such as piping and instrumentation diagram ("P&ID") schemes which detail the overall system design, including tubing and cabling, individual technical components, sensors and actuators, switchgears and control technology, so-called electronic measurement and control ("EMSR") technology. These technical designs are not only the basis for our project

calculation but also the main documents provided to our customers in the tender process. In a re-iterative consultation process with our customers, our engineers develop and specify a custom-made solution. At this stage, we often work on joint research and development projects with our customers which requires our engineers to keep up with leading edge technological advances and which also ensures that they have a good understanding of customer requirements if they carry out research and development on a stand-alone basis for us.

Following the process design and the definition of the appropriate materials depending on the medium to be handled, its physical state, pressure and temperature level or type of current (AC or DC) and voltage level, we conduct detailed safety and risk studies. In these so-called hand-off studies which can be very detailed depending on the critical nature of the plant or unit, we run through all possible scenarios and make sure that the necessary safety and emergency systems are in place, clearly specified and planned in several redundancy layers as necessary. Depending on the required Safety Integrity Level ("SIL"), we ensure the integrity of the entire circuit of a system through multiple redundant backup systems with separate redundant computing units. The higher the pressure or voltage, the more hazardous is the medium and the more critical is the specific system, resulting in corresponding higher the safety specifications at the SIL. In this context we specifically benefit from our expertise in constructing and operating in explosion protected environments, especially regarding natural gas and hydrogen solutions.

10.6.1.5 Intelligent infrastructure engineering

Our Planning & Design business division also includes experts for our intelligent infrastructure management systems. These experts plan the electric and electronic layout of the system under design. For adequate data collection, the type, quantity, positioning and redundancy of various sensors, including, but not limited to voltage, resistance, pressure, temperature and gas detection sensors have to be determined. Apart from the required Digital Control System ("DCS"), typically, the additional integration of (remote) supervisory control and data acquisition systems ("SCADA"), flow metering systems, safety control, emergency shut down systems ("ESD") has to be taken into account when defining the layout. All systems have to comply with stringent cyber security standards, which also have to be considered during the planning phase.

10.6.2 Energy Grid Infrastructure business division

Through our Energy Grid Infrastructure business division, we design, engineer and install pipeline and underground cable systems for customers across all our end-markets. We are regularly brought into energy grid infrastructure projects for our sophisticated technical planning know-how, our HDD capabilities as well as dedicated materials and welding expertise, which is a key aspect especially in safety-relevant pipeline projects. In turnkey projects, we provide all aspects of the entire pipeline and underground cable systems, ranging from the technical design to complex welding and isolation procedures to final stress testing and commissioning. The key technologies and solutions include:

10.6.2.1 Specialized welding procedures:

Our decades of know-how and experience in specialized welding technologies and material expertise enable us to provide sophisticated welding procedures to ensure safety, reliability and longevity of pipeline systems which are often critical to the security of energy supply. To conduct welding procedures on pipeline systems, we rely on our highly trained welding specialists. In addition, we have to provide and maintain extensive certifications. Depending on the material of the pipeline system and the medium which has to be transported, our Planning & Design business division as well as our welding specialists define the specific welding technology needed to create tight, stress free and smooth welding seams. The chosen welding procedure is subject to multiple validation processes such as procedure tests as well as destructive tests until this procedure has been documented and approved for the project. This is a particularly complex procedure when very warm or cold media have to be transported through the pipeline in the case, for example, of district heating or LNG pipelines. Since the pipeline is installed at normal temperatures, we conduct thermal expansion calculations to account for and absorb the expansion of the pipeline and determine the necessary isolation materials to maintain constant temperatures under operation. Subsequently, our experts in the Energy Grid Infrastructure business division choose and validate the specific welding procedures which are suitable to cope with the physical stress related to temperature changes during subsequent operations according to the specified quality monitoring standard defined by our customers.

Typically, there are two main steps in the welding process. The so-called front-end welding which comprises the above ground welding of several tube segments into longer stretches of pipeline before the pipeline is lowered into its trench. Using pneumatic welding alignment technologies, we align the individual pipeline segments to comply with minimal tolerances and weld them together using mobile welding modules. We use our fully automated welding modules in this process which are specifically geared to highly precise, dense and even welding procedures for large diameters and efficiently sequenced operation along the pipeline. Once the longer pipeline pieces have been lowered into the ground, they are connected through so-called tie-in welding. Tie-in welding is an intricate process because no welding equipment can be inserted into the pipeline but welding has to be performed entirely from outside and is subject to space restrictions inside the trench requiring a mostly manual welding process. Additionally, the pipeline pieces need to be aligned precisely to allow for reliable welding joints.

After our highly trained and experienced welding specialists complete the welding process, all front-end and tie-in welds are checked for quality through ultrasonic and x-ray testing and are insulated with anti-corrosion materials (often bitumen or PE based). The entire insulation of the pipeline is subsequently tested by our engineers based on official DVGW test procedures (AfK Test) through the application of high voltages to the pipeline in order to detect potential gradients (*i.e.*, variations to the electromagnetic field) and thus identify and subsequently repair potential damage to the insulation. The test results and all subsequent steps are then documented and the insulation eventually receives final approval.

10.6.2.2 Grid safety systems

In order to operate grids safely and allow for regular maintenance, we install a number of safety and detection solutions along the pipeline. These grid safety systems are installed approximately every 15 kilometers and essentially are emergency shut down and monitoring modules to close off the pipeline in case of leakages. These complex station buildings are designed and built by our intelligent infrastructure management engineers and contain pressure, temperature and other sensors which we install, program and connect to remote control and monitoring systems of our customers to monitor pipeline grid integrity. These station buildings are in some cases extended for pipeline junctions or branches, so-called line valve stations, which require additional welding and testing works for certification. Moreover, we install a number of other measurement and control systems along the pipeline track such as for cathodic corrosion protection which is later conducted through our Service and Operations business division. If the track of a high-voltage underground electricity cable will be routed close to existing steel pipelines, such as natural gas-, oil- or hydrogen-pipelines, the existing cathodic corrosion protection systems will suffer interference from the magnetic fields created by the power that runs through the underground cable. In these cases, it is necessary to recalculate the required density of corrosion protection stations, relocate and install additional stations accordingly.

10.6.2.3 Pipeline inspection and preparation

Once the pipeline has finally been laid and backfilled, final stress pressure and integrity tests typically with high pressured water are conducted and documented by our engineers. Following stress testing, we apply several drying and cleaning techniques to clean and reduce the humidity in the pipeline system. This is done using so-called pigs, which are special cleaning and inspection devices for use in pipelines (typically disc or foam pigs for initial pipeline preparation). Our specialists then inject vast volumes of a hot gaseous mixture containing nitrogen into the pipeline to further reduce humidity inside the often several kilometers long pipeline system. Humidity levels are eventually validated and documented through a dew point temperature test where condensation may only occur below temperatures of -20 °C.

Next, we conduct multi-check caliber tests using an intelligent pipeline pig inspection robot to inspect the entire pipeline system for possible indentations and deformations. Our caliber pigging tools utilize an array of mechanical and digital levers connected to a central monitoring device and move along the internal surface of the pipeline to measure its internal geometry. At the same time, we create a 3D representation and documentation of the exact pipeline run, including all elevation and directional changes as well as deformations along the pipeline system.

The initial gas application into the empty pipeline system as well as corrosion and integrity checks of the pipeline system are later conducted through our Service and Operations business division.

10.6.2.4 Cable pull, handling, logistics & installation

In underground high-voltage cable projects, which we execute for AC- and DC-cable routes with voltage capacities from 110 to 525 kV, the cable insertion process is a major challenge given the significant weight and length of the cables and the need for precision to ensure operational safety and avoid potential short circuits and other electromagnetic interferences among the different cable lines. Once specific plastic pipes have been welded, installed underground and protected against unintentional destruction (*e.g.*, through agricultural equipment such as ploughing equipment), these are inspected using adapted caliber pigs to detect potential damages and remove possible remains in the pipe. Inserting the high-voltage cables into the individual cable tunnels requires very high precision and specialized cable push and pull equipment to simultaneously push and pull the cable through the cable tunnel. This process needs to be well coordinated to reduce the risk of damage and stress on the cables.

Moreover, we plan and construct housed socket pits where the individual cable sections are interconnected and which are subsequently sealed to protect the connections against short circuits and other interference.

10.6.2.5 Horizontal directional drilling (HDD)

Our key technologies for underground cable projects include our sophisticated HDD procedures. HDD is used to install underground cable lines below rivers or other critical infrastructure such as highways or canals, or to preserve the surface of ecologically sensitive eco-systems. The demand for HDD has increased significantly over the past years and having our own dedicated HDD specialists and equipment on board is a major advantage and differentiating factor with our customers. In HDD, we use a steerable rotating drill bit to create a borehole in the direction of the target point. Extensive measurement technology right behind the drill bit allows our specialists to guide the drill string exactly along the target route. During the drilling process, flushing pumps inject a bentonite suspension fluid directly into the nozzles attached to the drill bit. In soft geologies, the existing soil is hydraulically extracted at high pressure. In rock boreholes, the bentonite is extracted mechanically with the help of a drill motor. The bentonite mixes with the material slag and flows back to the starting point through the annular space between the drill string and the borehole. A separation plant separates liquid and solid components from each other and returns the processed suspension fluid to the bentonite circuit.

In high-voltage cable projects, customers typically seek to lay the cable as close to the surface as possible because high-voltage cables lose efficiency at warmer earth temperatures when installed at greater depths. The challenge in near-surface HDD, however, is that the drilling fluid (bentonite) often breaks through the surface and jeopardizes the drilling process. To overcome this problem, we have developed a set of techniques and processes to control borehole pressure especially in softer soil formations. By using targeted relief drill shafts, we vertically puncture the borehole and control and measure the pressure level depending on the soil structure. Another technique is our so-called in-pipe drilling method, the Horizontal Casing Drilling technology ("**HCD**"), where the cable pipe is inserted simultaneously with the drill string which is particularly advantageous when operating in porous and soft environments. The HCD technology was developed by us and is patent protected.

10.6.2.6 Landfall connections

The landfall connection of off-shore wind energy is a complex process because the landfall often occurs in ecologically sensitive coastal areas where interventions in the surrounding ecosystem have to be minimized and where dyke stability and integrity have to be secured. At the landfall point, the offshore cable is connected to the onshore cable by way of an underground transition joint. From the transition joint, the high-voltage onshore cables are laid underground often using HDD techniques to minimize the need for digging trenches in these coastal areas. We benefit in a number of ways from our expertise in handling high voltage cables in ecologically sensitive areas through our ability: (i) to comply with the extensive regulatory requirements in offshore landfall connections; (ii) to prevent the leakage of HDD fluid into the environment; (iii) to minimize the environmental impact flora and fauna, for example, by building visual or sound barriers for sensitive bird species; (iv) to apply water drainage solutions, dewatering techniques and soil conditioning, which are crucial in securing the integrity of onshore cables in coastal areas; (v) to provide specific soil conditions to best absorb the significant temperature variations in high-voltage cables in order to increase transmission efficiency and safety; and (vi) to secure the required thermal stability level of the tubes and select appropriate materials such as special PE-HD materials which withstand high thermal stresses induced by high voltages for the required lifetime of the power line.

The cable tubes are then typically welded together by our engineers through special butt welding techniques. The landfall connection often ends with the connection of the cable to a transformer station or substation which feeds the electrical energy into the power grid.

10.6.2.7 Renaturation measures

As part of laying underground cable, making landfall connections or completing pipeline grid projects, we provide extensive renaturation services in order to bring back the affected area to its natural state or compensate for interferences in the surrounding ecosystems. Specifically, we conduct soil remediation services where necessary and organize the renaturation of the affected areas through the re-planting of the original flora or seeding of new plants to reinstate an area's original condition. While we comply with all necessary regulatory requirements, we aim together with our customers to improve the ecological conditions of the affected areas in order to increase acceptance of underground energy infrastructure projects and foster a reputation for responsible handling of the environment.

10.6.3 Energy Transformation business division

Through our Energy Transformation business division, we design, produce and install critical energy transformation systems into the energy grids of our customers. These energy transformation systems, which are described in further detail below, typically are natural gas, biogas or hydrogen processing, storage and conditioning plants as well as electricity transformation stations. While we execute specific projects on a stand-alone station or component basis, we also offer our customers integrated turnkey solutions.

10.6.3.1 Plant construction

Based on the component specifications of the hand-off studies and SIL level provided by the specialists in our Planning & Design business division during the initial phase of an energy transformation project, we procure and produce the individual system components. Apart from generic components which we buy from producers (*e.g.*, pipes, cables, valves) or subcontractors (*e.g.*, supporting structures), we develop and engineer a number of critical components in-house including, but not limited to heat exchangers, dust-liquidity separators, separators, including knock-out drums and cyclone tubes, vortex tubes and flow meters. A critical aspect in the assembly of the different system sections is our material and welding expertise. Accurate and certified welding technologies are a key prerequisite in constructing critical and safety relevant energy transformation systems. Moreover, all material certificates and every reshaping step of the critical components of a system have to be documented and certified by a designated and officially approved testing agency, which in Germany typically is the Technical Inspection Agency (*Technischer Überwachungsverein – TÜV*).

Welding joints are individually tested through ultrasonic and x-ray testing procedures and insulated with specialized materials to protect against corrosion by our engineers. The entire system is additionally inspected from inside through automated inspection pigs and undergoes final pressure and integrity tests which simulate a number of extreme scenarios. All of these tests become part of the official documentation and are relevant for the final certification of the plant or unit.

10.6.3.2 Intelligent infrastructure management

When constructing energy transformation systems, our intelligent infrastructure management experts from the Planning & Design business division already contribute to the project at the planning and design stage and plan the electronic, data collection and IT-security layout of the respective system. The teams from the Energy Transformation business division then physically install and digitally configure the entire sensor technology of the system as defined during the engineering phase.

Once mechanical completion of the system is established following a loop check of all electric components, we program the DCS based on the P&ID scheme as well as extensive cause and effect schemes. Our team is able to program and integrate control processors, especially from Siemens, ABB, and Alan Bradley, and thus cover the most frequently requested systems. All processes and sensors are consolidated in a graphical representation of the entire system (*i.e.*, a graphical display of which sensor shows where they are exactly in the system) as well as various visual and acoustic alarm systems which facilitate operators to control the system and react efficiently. At

the same time, for most critical infrastructure an ESD is separately installed and programmed based on specifically derived alarm and trip schedules which determine different types of emergency levels and the appropriate reaction to these emergency signals. Finally, the entire digital infrastructure providing the intelligent management functions of the solution is secured against digital and physical attacks to the extent laid out previously by the Planning & Design business division based on customer and/or legislative requirements.

When all digital systems are in place and programmed, Factory Acceptance Tests ("**FAT**") as well as Site Acceptance Tests ("**SAT**") are conducted with a test medium, certifying proper functioning and conformity of the system. Additionally, conformity certificates for all components of the system as well as all test results need to be provided for final approval and commissioning to the customer.

10.6.3.3 Energy transformation systems

As a provider of critical energy infrastructure, we deliver our customers all major energy transformation systems necessary to operate their energy grids safely, reliably and cost-efficiently. Some of the following systems can be designed and delivered globally as so-called containerized solutions. These systems are manufactured and assembled by our Energy Transformation business division in Germany and delivered to the country of installation where they are installed by the customer under the supervision of our engineers or project managers, or in some cases, installed directly on site by our installation teams depending on the needs and capabilities of the customer.

In particular, our energy transformation systems include:

10.6.3.3.1 Gas pressure regulating and metering systems

Gas pressure regulating systems ("**GDR**") are highly critical systems of a natural gas or hydrogen transmission grid as they regulate gas pressure through a system of single- or multi-stage gas pressure reductions typically from 84-100 bar (85.6–101.9 kilogram per square centimeter) down to 16-40 bar (16.3-40.8 kilogram per square centimeter) in the distribution grid and sometimes even pressures below 1 bar for direct end-user connections. As GDRs often form the starting or the end point of a gas transmission grid, they are upgraded in many cases to gas pressure regulating and metering stations ("**GDRMA**"), where gas volume measurement is also carried out. GDRMAs contain sophisticated separation technology such as dust-liquidity separators which we produce by using so-called inlet filters, to clean the gas from physical particles and humidity (*e.g.*, water, hydrocarbons and dust) in order to protect the pipeline and transformation system from corrosion. Our gas pressure regulating valves, which are typically sequenced for multi-staged pressure reduction are tailored devices which allow for controlled pressure reduction through the combination of different diametrical sections. When natural gas or hydrogen is increased or decreased in pressure, the so-called Joule-Thomson effect occurs, which describes the temperature change of a gas in an isenthalpic pressure reduction. Our proprietary heat exchanger technologies ensure that the natural gas or hydrogen stream remains within a specified temperature range in order to ensure the operational safety of the system and the functioning of all system components (*e.g.*, valves and sensors otherwise freeze in). As described in this section, we have developed innovative solutions which allow for a CO₂-neutral pressure reduction using our proprietary vortex tubes. Additional shut-off valves allow us to regulate natural gas or hydrogen volumes depending on the utilization and capacity of the ensuing distribution grid. Intelligent infrastructure management of the system including extensive safety modules are another important element to control and operate the GDRMA. Legally-calibrated flow-metering and control systems are typically placed at the end of the station. With the OrQa[®], we have developed our own approved innovative hydrogen-ready metering device which makes use of the differential pressure method to reliably measure natural gas and hydrogen volumes. Made from one seamless piece, the OrQa[®] has no moving parts and therefore requires significantly less maintenance and recalibration services and is not susceptible to leakage of the highly volatile hydrogen.

10.6.3.3.2 Compressor stations

Compressor stations are an integral part of any natural gas or hydrogen pipeline and are installed at certain intervals along the pipeline. Compressor stations maintain the pressure level in a natural gas or hydrogen pipeline which naturally decreases over longer distances due to the loss of flow and are a vital driver of pipeline capacity and thus cost-efficiency of the pipeline. Next to our own dust-liquidity separators, we integrate the turbo compressors from third parties which typically consists of several turbines and regulate the pressure increase.

Through the significant pressure increase, the natural gas or hydrogen heats up (*i.e.*, Joule-Thomson effect) and needs to be cooled as hot gas has a lower density resulting in higher pressure loss and lower pipeline efficiency. Moreover, the high temperatures can damage the insulation of the pipeline. Our proprietary heat exchangers ensure the efficient cooling of the natural gas or hydrogen and thus the safe and efficient operation of the pipeline. In some cases, the heat recuperated through our heat exchangers can be used for other purposes such as power generation or industrial and district heating.

10.6.3.3.3 *Natural gas and hydrogen storage*

Natural gas and hydrogen storage facilities are large ultra-high pressure facilities which store gas at 230 to 280 bar (234.4-285.3 kilogram per square centimeter) and serve to balance imbalances between gas supply and demand as well as to increase security of supply. These facilities are often very complex as they are a combination of a compressor station, which feeds-in the gas into the storage facility at ultra-high pressure, the actual storage facility and finally a GDRMA to decompress and regulate the gas pressure for distribution in the transmission or distribution grid. Generally, there are two types of natural gas and hydrogen storage facilities, either a cavern based facility where gas is stored in large natural or artificial mostly underground caverns or pipe storage facilities. While we design, produce and install components for compressor and GDRMAs as described previously, we also manufacture and install pipe storage facilities. In both types of storage facilities and particularly in cavern based systems, we moreover design, produce and install gas-drying systems in order to reduce the high humidity levels of the gas after long storage. Our gas drying technology is a glycol-based system, which uses the hydrophilic properties of glycol (Van-der-Waals forces) and separates the absorbed water through evaporation. The glycol is recycled and can be reused for continuous drying of the gas to protect the pipeline system from internal corrosion.

10.6.3.3.4 *Gas processing systems*

Through our gas processing systems, we can process and condition any kind of gas mixture either to: (i) separate various types of gases into individual gas streams or (ii) to purify gas streams from contaminants and unwanted substances to a required level for usage, for example, in power production. A typical application of our gas processing systems are biogenic gas plants, where our solutions are used to purify biogenic gas streams, which contain a vast array of different gases and other substances to natural gas quality, *i.e.*, biomethane. Once the biomethane has been dried and filtered through our respective modules and stations, it can be fed into the natural gas grid or used directly on site both of which typically requires additional compression.

The purification technology can also be applied in carbon capture systems, which predominantly aim at the separation of the CO₂ gas fraction into a homogeneous CO₂ gas stream which can either be utilized industrially or captured in gaseous form or as a solid. In this process, we either use a mechanical membrane or a chemical amine procedure to separate and wash out the CO₂ (or any other gas or impurity). Especially in amine wash systems, we employ specific heat exchanger technologies to regenerate the amine solution for reuse and thus increase separation efficiency.

10.6.3.3.5 *LNG terminals*

In constructing LNG terminals, we combine the know-how from our natural gas grid and district heating applications as well as our plant construction solutions. LNG handling is particularly challenging given its very low temperature of -169 °C. Our pipe construction and process engineering specialists therefore need to determine the right materials (often copper alloys) as well as specialized welding techniques which are able to handle the significant elongation or shrinkage of the materials at these extreme temperatures. Moreover, we design, produce and install the central regasification unit which requires large heat exchangers to efficiently increase the temperature and transform the LNG back into a gaseous state. Our gas drying and filtering modules as well as our GDRMAs which regulate the gas pressure to the required level subsequently allow for the safe and efficient feeding of the natural gas into the transmission grid.

10.6.3.3.6 *Electrolyzers*

Electrolyzers are complex systems in which hydrogen is produced through the electrolysis of water. This process requires the use of electricity. We design and install the entire system, integrating our electricity as well as

hydrogen gas handling expertise with our plant engineering know-how and components. We focus on small to large industrial scale electrolyzer plants with capacities ranging between 10 MW to more than 100 MWs. Following initial underground electricity cabling connections and transformer installation to rectify the initial AC into a DC current, we install large water processing systems which filter the water through reverse osmosis membranes, pressurize it and transport the permeate for electrolysis inside the electrolysis stack. The electrolysis stack, which is one of the few parts of an electrolyzer system that we do not design and produce ourselves, is then complemented with our own heat exchanger systems to optimize the electrolysis process and maintain stable and safe temperature levels during the electrolysis. We then collect the extracted heat from our heat exchangers through a set of isolated pipe systems and connect it to peripheral heat distribution networks such as industrial and district heating. Moreover, the hydrogen produced inside the stack is dried and cleaned using our hydrogen adapted dust-liquidity separators and analyzed for its specific chemical properties through specialized gas sensor systems. Our engineers then design and install compressor units to pressurize the hydrogen to either store it in dedicated hydrogen storage facilities or to directly feed it into the hydrogen pipeline grid. At the feed in point, we install our proprietary hydrogen-ready flow metering device OrQa® which provides precise, legally calibrated volume metering data for the hydrogen feed in. Finally, we install and program the required control systems, such as a DCS and an ESD with specific adaptations to the characteristics of hydrogen to ensure safe and reliable operation of the electrolyzer system.

One major challenge in handling hydrogen in the electrolyzer system as well as in hydrogen pipeline systems in general is that it is one of the lightest elements in the universe. Its very small molecular structure not only causes it easily to dissipate through various materials and components but also requires a higher pressurization to compensate for its lower energy density compared to natural gas. As a result, our engineers determine the right material microstructures and have developed welding techniques and component solutions to cope with the smaller molecular structure as well as the higher required pressure levels of hydrogen. They can therefore draw on their decades of experience in handling high-pressured natural gas in critical energy infrastructures.

10.6.3.3.7 Transformer stations

In order to minimize energy losses, electrical energy is generally transported over several voltage levels depending on the power to be transmitted and the transmission distance. Similar to natural gas compressor or GDRA, the transformer station regulates and transforms the electrical energy between two or more voltage levels at the beginning and the end of an electricity transmission grid. We plan and install the necessary connections for the power transformer modules, the required switchgear (outdoor or gas-insulated) and other equipment for measurement and control technology.

10.6.3.3.8 Power-to-heat systems

Power-to-heat systems are an example of sector coupling and a very versatile way to use electrical surplus energy from renewables (e.g., wind or solar) for the creation of heat, thus reducing the use of fossil energy in the heating sector. Combined with heat reservoirs such systems allow to temporarily store surplus energy from renewable sources for use in district or industrial heating. We not only integrate power-to-heat systems into renewable electricity infrastructure grids but also design the system and install and program the major components such as the pipe systems, the immersion heater as well as the district heating pressure reservoir including the necessary pump systems.

10.6.4 Service and Operations business division

Through our service and operations business division, we provide our customers with individual services, integrated service and maintenance solutions as well as the operations management of entire energy infrastructure systems.

Our three main service and operations capabilities are:

10.6.4.1 Pipeline commissioning and expansion services

Once a natural gas or hydrogen pipeline is finished, our service specialists begin the gassing of the empty pipeline system which is a relatively complex process as high pressured gas needs to be filtered, heated and then reduced

in pressure to be released into the empty pipeline at controlled pressure. For this process, we employ our mobile dust-liquidity separators as well as pre-heaters to control the Joule-Thomson effect. To start the process, we insert special pipeline pigs which push a nitrogen buffer through the pipeline to press out the air inside the pipeline. Once the entire pipeline is filled with natural gas or hydrogen and the pressure is increased to the operational pressure level, the pipeline is ready for gas transport.

In addition, our service engineers provide a wide range of pipeline expansion services. These include works and repairs on gas carrying pressurized systems such as highly sensitive hot tapping procedures. Hot tapping involves drilling into a fully operational pipeline in order to create new connections or branches to the pipeline. In order to do that, we employ our own proprietary induction pre-heating equipment which heats the targeted pipeline section to be able to weld special full bore valves onto the pipeline. This is necessary as the gas flow inside the pipeline would absorb the heat of the welding process too quickly which would result in defective or non-reliable welding joints. Once the full bore valve is installed, our engineers drill through the opening of the valve into the pipeline, making sure that the drill bit does not overheat and remains tightly fixed. Once the hole is completed, the drill bit is extracted from the pipeline, the full bore valve closed and a branch pipeline connected.

10.6.4.2 Pipeline inspection and repair services

In addition to conventional gas detection, route maintenance and fault clearance services, we offer cathodic corrosion protection services where pipeline sections are exposed to an electric DC current resulting in the corrosion of only a sacrificial anode instead of the pipeline which acts as a cathode. This is a specialized corrosion protection technique used in underground pipeline systems and is generally conducted in three month intervals.

Another example of specialized pipeline inspection services is the internal inspection of pipelines through magnetic gradient pigs. For these types of inspections which are conducted once to twice a year, our measurement pigs are inserted into the operational pipeline system and measure the variation of an electromagnetic field to detect internal corrosion. In case areas of internal corrosion are detected, these are analyzed and regularly inspected through ultrasonic inspection pigs.

In case of critical areas of corrosion, our certified engineers conduct repair and additional insulation works on the pipeline using specialized carbon fiber windings to protect the pipeline from further corrosion.

10.6.4.3 Energy transformation services

We also provide extensive services and maintenance for all of our energy transformation systems on a regular basis. These services include functional tests of all components of these systems as well as extensive safety checks of all (relevant) mechanical and electrical functions of the system, including for complex gas pressure regulating and metering plants, inspection of pressure vessels, revision and repair of both stationary and nonstationary electrical and data collection systems and equipment as well as a number of other inspection, recalibration and maintenance services. These services include functional tests of all components of these systems as well as extensive safety checks of all (relevant) mechanical and electrical functions of the system. Moreover, all movable parts of an energy transformation system typically need to be uninstalled every two years, checked and/or replaced and reassembled. This also includes fine-mechanical works on valves and other particularly safety relevant infrastructure. At the same time, the gas metering systems (OrQa®) have to be recalibrated to stay within the minimal tolerances for gas flow metering while all sensors and gauges are recalibrated and checked by targeting them with test data signals. This also applies to all data connections to our customers' remote-control stations.

These services include the repair or replacement of components, sensors and other equipment which is installed and validated by our service engineers. For energy transformation services we sometimes have regionally defined service contracts or provide our services on a stand-by basis. For biogas processing systems, we typically conduct maintenance and repair services for all our systems.

This set of services is typically offered and ordered together with our containerized solutions.

10.6.4.4 Operations

In some cases, we not only provide maintenance and repair services but also take over the entire operational management of a natural gas or hydrogen grid. This involves the day-to-day management of the pipeline grid including all energy transformation infrastructures. Through constant remote monitoring and regulation of the infrastructure to the volumes transported, as well as detailed maintenance and safety concepts, we ensure that the security of supply is maintained at all times. Typically, operation contracts are related to regionally defined energy grids. In Eastern Germany for example, we operate the entire high-pressure natural gas grid for our customer Ontras.

10.7. Project Joint Ventures (Arbeitsgemeinschaften, ARGE)

We work in project joint ventures (*Arbeitsgemeinschaften* – "**ARGE**") with other solution providers in connection with a number of our larger projects. All of our ARGEs are governed by German law, except for one governed under Danish law.

ARGE is an established form of project joint venture in the German construction industry, especially for large-scale infrastructure solution projects, which often cannot be completed by an individual company due to the size of the project and for technical, economic or capacity reasons. As a result, customers frequently tender projects to ARGEs rather than individual bidders, and the several solution providers in a particular ARGE work together on a contractual basis for the joint execution of such projects in the form of a project joint venture. ARGEs can provide bundled services of solution providers with different specialties, which together act as a single contractor *vis-à-vis* the customer. An ARGE agreement defines the purpose of the project joint venture, the bodies of the partnership and the types of capacities, contributions and performances that the partners contribute to the particular ARGE.

ARGEs can be structured in two distinct ways: (i) vertical separation of responsibilities: each partner of a particular ARGE is assigned one or more specific tasks within the overall project, typically aligned with its technical expertise and capabilities; and (ii) horizontal separation of responsibilities: each partner performs all required tasks of a project but the project is divided into two or more segments, for example, broken down based on region. Each partner is responsible for the entire completion of its assigned segment.

In general, ARGEs are organized as Partnerships under the German Civil Code (*Bürgerliches Gesetzbuch*). Consequently, the ARGE partners in the joint venture are jointly and individually liable for the entire project to their customers but can limit the liability among themselves depending on which party actually provided services for a particular task in the ARGE. Most ARGEs can be described as intermediaries between the cooperating partners of the ARGE and the customer. After a particular ARGE completes its contract with the customer, it is dissolved and all remaining assets including remaining profits or losses are split among its partners in accordance with the joint venture contract.

The profit and loss participation of the partners of a particular ARGE is contractually defined and usually corresponds to the scope of their assigned tasks within the project. The determination and allocation of profits in general take place after the joint venture company has been terminated on the basis of the closing balance sheet. We invoice our services to any particular ARGE in which we hold interest on a monthly basis and collect revenue as well as results from these joint ventures.

As of December 31, 2020, we were involved in 56 ARGEs of varying size. The largest 10 ARGEs in terms of revenue as of December 31, 2020 are set forth below:

ARGE	Vorwerk Group's shareholding in %	Long term	Current	Cash	Long term	Short term
		assets	assets		liabilities	liabilities
(in EUR thousand, audited)						
Dach-ARGE ZEELINK Los 3 – 5	25.00	89,474	0	139,737	155	139,736
ARGE Zeelink 3+5	50.00	50,747	38	102,503	518	102,582
Dach-ARGE Thyssengas STEAG Leitung	63.70	35,040	0	50,203	1,342	50,396

ARGE EUGAL Los 7+8	37.50	34,221	0	219,912	12,706	0	209,630
ARGE EGL 442	58.00	29,206	55	56,480	1,636	0	50,741
Dach-ARGE EUGAL Los 5+6	53.35	27,639	18	240,204	1,038	0	239,572
ARGE VS Würselen – MCC-I	45.00	20,837	12	63,707	800	0	59,379
ARGE Reha Südfeld Los 2 BA 3+4	33.33	11,355	0	15,689	2,572	0	13,933
Dach-ARGE GDRM Anlagen Zeelink	50.00	8,087	0	20,558	1,071	0	20,560
ARGE EmCo KÜA	50.00	4,719	0	8,610	647	0	8,280

10.8. Sales, Business Development and Operations

We conduct our sales activities out of various locations in Germany, with our main activities located in Tostedt, Wiesmoor and Halle. Our sales team includes 24 sales engineers as of December 31, 2020. Our sales team members are largely highly trained engineers given the highly technical nature of our business. Most projects for which we bid are in the form of public tenders, whether they are public tenders by governmental organizations or private corporations. These public tender processes require the submission of detailed technical offer documents, which are drafted by our engineers for technical specifications and analyzed by our finance department to make sure that the financial conditions are appropriate for the respective bid. Tender processes and lead times vary significantly depending on project type, size and complexity. We typically secure orders up to 12 months before start of construction.

Our sales team members are broadly organized in a hybrid customer/end-market structure. Our sales engineers focus on specific customers and maintain high-level contacts with the planning and engineering departments of these customers. In some cases, we have dedicated individual key-account assignments while in other cases any team member can service the accounts assigned to the team. As some customers operate in more than one of our segments, the assignment of sales teams and engineers is not in all cases separated by Segment. In the case of our Electricity Segment, however, these overlaps are rare and therefore we have a dedicated electricity sales team.

As most projects in all of our segments are in the form of public tenders, we focus our business development on product and solution development in close cooperation with our existing customers. For instance, we include developing innovative solutions to address specific challenges of our customers such as the development of the first CO₂-neutral gas pressure reduction and measurement station at Nesselgrund. We also frequently try to participate in pilot projects for new technologies which we anticipate will enhance our reputation, such as the world's first demonstration power-to-gas plant in Falkenhagen for the storage of wind power in the natural gas grid through the electrolysis of clean hydrogen.

Furthermore, as our capabilities are well known in our markets, we seek to cross sell our offering into other segments. As a result, other than regular interactions with existing customers, we limit our marketing efforts primarily to attending trade fairs, individual customer visits, advertising on our own website and to hosting annual technology conferences for experts, which we individually invite to such events.

10.9. Suppliers

We purchase a wide variety of components from different suppliers, almost none of which are single service suppliers. We maintain close relationships with our suppliers as this is crucial to the growth of our business. The vast majority of our suppliers are located in the European Union, particularly in Germany.

Our top five suppliers accounted for only 4.6% of our cost of materials in 2020. We have established long-term relationships with these key suppliers and have worked with most of them over a large number of years.

10.10. Subcontractors

We use a number of services from a select group of subcontractors. We have long established and close relationships with most of our subcontractors. Establishing and maintaining these relationships is an important aspect of our ability to conduct our business. This is especially true as it enables us to act more flexibly as we can outsource certain steps of our value chain depending on our workload. Generally, we have not experienced

significant capacity issues in our subcontracting activities as we seek to maintain a sufficiently large pool of subcontracting partners. As defined in our corporate governance guidelines (as of August 27, 2020), we pledge to ensure that our subcontractors adhere to the highest possible health and safety, quality and environmental standards as well as our work and ethics standards.

Our top five subcontractors accounted for only 20.4% of our cost of materials in 2020. We have established long-term relationships with these key subcontractors and have worked with most of them over a large number of years, the vast majority of which are based in the European Union.

10.11. Research and Development, Intellectual Property and Information Technology

10.11.1 Research and development

Our research and development ("R&D") activities are generally project based and, in most instances, carried out in consultation with our customer to optimize an existing or develop a new product for the customer's specific needs. We maintain the ownership rights to the technology we use to assist our customers in building these specific projects. We also conduct R&D activities focused on technologies, equipment and processes that have the potential to sustain or even enhance the growth of our natural gas, electricity and clean hydrogen segments due to their general applicability. This includes, but is not limited to, H₂-ready components and CO₂-reduction technologies as well as more efficient and viable construction processes and technologies to enhance project execution and increase customer benefits. Our R&D efforts aim to deliver innovations with high market acceptance, quick adoption potential and widespread upgrade-potential for existing infrastructure. In such efforts, we strive to combine the real-life market experience of our engineers with scientific support from universities nearby in the form of co-operation on a project-by-project basis. Such cooperation has, for example, led to the development of our OrQa[®] flow metering device.

To solidify our position as a leading supplier of energy infrastructure, we are working on a number of new technologies such as hydrogen-ready flow metering and control systems, adapted vortex piping systems, specialized near-surface HDD procedures, adapted biogas processing systems and hydrogen adapted safety and regulating valves.

The hydrogen-ready flow-metering and control system OrQa[®] is a newly developed device allowing for the legally calibrated metering of natural gas as well as hydrogen flows in pipeline systems by applying the differential pressure method. The unique feature of this device is that it is made from one piece and does not contain any moving or external parts. While conventional differential pressure meters such as orifice meters create a pressure differential by means of a reduction of the pipe diameter through orifice plates, OrQa[®] is made from one seamless piece. By inverting the process through a widening of the diameter of the device and thus creating a pressure release, the pressure differential inside the device is used to calculate the exact amount of natural gas or hydrogen transported. As a result, the most tangible benefits of OrQa[®] are: (i) that it requires almost no recalibration and has minimal maintenance requirements compared to conventional orifice meters which suffer from abrasion from the increased pressures and speed of flow, (ii) generally much less wear-and-tear compared to traditional rotary piston meters and (iii) the fact that this device is a single piece of equipment which significantly reduces the risk of leakages of natural gas and hydrogen when these energy sources are being transported through the pipelines.

We also have developed and continue to improve specifically engineered vortex tubes as a means to mitigate the Joule-Thomson effect which occurs in pressure regulating systems. The Joule-Thomson effect describes the temperature change of a gas in an isenthalpic pressure reduction when natural gas or hydrogen is increased in pressure for long-distance transport or is reduced in pressure as these energy sources are distributed in the downstream market. Our newly engineered vortex pipes use a thermodynamic process with four tangential gas feed-ins to separate the warm from the cold gas stream and thereby regulate gas temperature. While conventional gas pressure regulating systems emit CO₂ due to the combustion of fractions of the transported gas to heat the gas stream, our engineered vortex pipes operate entirely CO₂-neutral. For our customer Ontras, we are currently installing our engineered vortex pipes as part of their gas pressure regulating and metering station at Nesselgrund, an innovative CO₂-neutral gas pressure regulating and metering station.

In addition, we have developed and continue to improve near-surface HDD methods as a key driver of efficiency

increases in underground power cable systems as high-voltage cables lose efficiency at warmer earth temperatures when these cables are laid down at lower depths in the earth. The challenge in near-surface HDD, is, however, that the bentonite drilling fluid may penetrate through porous soil to the surface, jeopardizing the drilling process and possibly causing hazards over ground. We have developed and continue to improve techniques and processes including targeted relief drill shafts or in-pipe drilling methods where a cable tunnel is drilled near-surface while the cable pipe is inserted simultaneously. Both methods control the pressure of the drill fluid and avoid pressure loss as well as drill tunnel collapses amid unstable soil structures.

We also have developed and are continuing to improve advanced biogenic gas processing systems focused on purification through carbon-capture technologies. Our membrane-based carbon-capture systems control the partial pressure difference between the permeate and the retentate side of the various membrane layers to optimize the degree of CO₂ removal. In our amine-based purification systems which are chemical CO₂ separation systems, we have developed adapted fluid dispersion techniques which allow for a faster and more resource-efficient separation process.

Additionally, we are calibrating and adapting safety and regulating valves as well as other plant construction and pipeline components for hydrogen usage. Hydrogen has very different chemical and physical properties compared to natural gas which make its handling more challenging from a technological perspective. As hydrogen is the element with the lowest density and also has a very low volumetric energy density, its transport and storage is only viable at very high pressures. Therefore, hydrogen transportation and storage systems typically operate at ultra-high pressures and require very tight and abrasion resistant components to handle the hydrogen flow without excessive wear and tear.

10.11.2 Intellectual Property

10.11.2.1 Patents, know-how, and trademarks

We currently have four patents and have applied for one more patent. However, patents do not play a major role in our business as tenders are in many cases intentionally designed in a way to prevent the use of patent protected technology. Considering this basic market setting and given the disclosure associated with patent applications and registrations which may enable competitors to develop competing technologies, we often waive patent applications out of tactical considerations. Our intellectual property rights further include trade secrets, trademarks, utility models, design and process expertise.

We believe that our intellectual property concerning our specific technological advantages is otherwise well protected. First, a significant part of our products is installed on our customers' premises, carry high-pressured gases or high-voltage electricity and as part of their critical role in energy transmission are in constant operation. Second, large parts of the infrastructure we provide is installed underground. We, therefore, assume that competitors are not able to access and/or disassemble our products to reverse engineer competing technologies. In addition, a large part of our know-how is secured by tacit knowledge and ongoing improvement and innovation of our products and processes.

10.11.2.2 Information technology

Our information technology ("IT") systems are organized to improve the efficiency of daily processes of our company and provide management with the relevant financial and non-financial information to derive, execute and monitor the strategy of the Vorwerk Group. With the integration of Bohlen & Doyen into the Vorwerk Group, we have harmonized and upgraded our entire ERP system and now operate an integrated and coherent IT infrastructure across the entire Vorwerk Group.

Given the decentralized structure of our business with operations primarily at our customers' sites, we currently use the latest version of an industry specific ERP system which provides a strong project management as well as disposition backbone. An important cost factor in our business is the efficient use of our special equipment and machinery at the highest possible utilization rate. To achieve this goal, we have recently digitized the locating and dispatching of all of our special equipment and machinery. In doing so, we now know in real-time where which piece of equipment or machinery is located, and we can easily re-dispatch single units or groups of machines by

digitally creating the shortest transport routes with the highest load factors. All machinery movements and usages are directly fed into our ERP system in order to be internally accounted for in a timely fashion with the least manual interference as possible. This enables us to control the individual projects in a timely manner. Similarly, we operate an integrated self-developed decentralized digital time recording tool, which allows us to allocate engineering and execution working times to the individual projects.

As our business requires, our mechanical-, process- and electrical-engineering departments as well as our research and development teams use various state of the art CAD solutions, including, but not limited to AutoCAD or Elcad along with CAD data management solutions which are partially coupled with a product lifecycle management system which ensures variant management and the standardization and versioning of our CAD data and serves as our core engineering data repository. We are required to operate such systems in order to provide customers with adequate technical tender documents and project documentation.

10.12. Environmental, Social, and Governance Standards

As the main purpose of our energy infrastructure business is focused on the de-carbonization of German and European industry and society, we are committed to applying ESG principles to all aspects of our business. We are therefore publishing the Sustainability Accounting Standards Board (SASB) index in our annual report for the first time in the 2020 reporting year in order to ensure greater transparency in the area of sustainability. SASB aims to enable transparent communication between companies and investors on material information related to ESG data through standardized sustainability accounting. As the standard was only recently introduced in 2020, the Vorwerk Group does not yet have all the data and information required for reporting in full accordance with the "Engineering & Construction Services" standard as defined by the SASB organization. However, we expect to further improve the data base and adhere to the set standards in the future.

In addition, for the financial year 2020 we performed an analysis of our business activities in accordance with the Sustainable Finance Taxonomy Regulation 2020/852 adopted by the EU in June 2020. The analysis was carried out using the current official Technical expert group on sustainable finance ("**TEG**") Taxonomy tools provided by the EU Commission via its website. The analysis showed that 52% of our revenue in 2020 is considered sustainable and climate-resilient according to the EU Taxonomy. While our remaining business activities are only considered neutral according to the EU Taxonomy, we believe that they nevertheless help to reduce CO₂ emissions, particularly through their contribution to the replacement of coal-fired power generation.

We have thus already set up the basis to comply with future financial reporting requirements and we believe that due to our future business focus on driving the clean energy transition in Germany and Europe, we will be able to further improve the share of sustainable business activities to an even higher level. This positive trend is already evident from the analysis of our order backlog as of 31.12.2020, indicating an increased share of 55% sustainable and climate-resilient activities according to the EU Taxonomy.

Environmental:

As part of our commitment to implement stringent environmental standards in our business, we focus on implementing the following principles:

- The environmental impact of our company is regularly quantified, documented and tracked. With technological advancements we take regular measures to improve our environmental impact;
- We aim for a sustainable usage of resources. Renewable resources should take preference over finite ones;
- We develop environmental awareness by endorsing relevant employee training;
- We ensure that environmental concerns play a role when purchasing materials or services;
- We take various preventive measures to minimize the environmental impact of our operations; and
- Our environmental targets are tracked, analyzed and revised constantly.

In practice, these principles are implemented within the framework of our certifications which we must meet to be invited to our customers` tender processes and to conduct business with them. In order to fulfill these requirements, we are certified in accordance with environmental norms customary to our business. Among other certifications, these include: (i) DIN EN ISO 14001; (ii) Safety Certificate Contractors ("**SCCP**"); and (iii) DIN EN ISO 5001. For a more fulsome discussion of these and other certifications, see "*11. Regulatory Environment*".

Social:

As part of maintaining our social standards, we constantly aim to minimize health and safety concerns by taking pre-emptive measures to ensure the health and safety of our employees. We believe that the mental and physical well-being of our employees plays a key role in our company's success. For this reason, we have an industrial safety management system in accordance with the SCCP standard, which is audited annually by KIWA International Cert GmbH, a specialized inspection and certification company.

In our code of conduct, we have set high standards and future goals in regard to health and safety, corporate social responsibility as well as environmental concerns. To ensure that this code of conduct is also practiced throughout our company, we have put in place an integrated management system ("**IMS**"). In addition, we allocate resources to and encourage our employees to contribute to the improvement of our management systems.

In our code of conduct, we pledge to adhere to the following health and safety principles and work and ethic standards:

- Implement measures to prevent accidents and work-related illnesses;
- Employee physical and mental wellbeing always takes precedence over economic considerations;
- While planning, constructing and running our sites we aim for the highest possible health and safety standards;
- Promote good leaders take responsibility for Health and Safety concerns;
- We endorse relevant employee training to foster health and safety culture;
- Implement best practices based on industry standards to achieve highest possible health and safety standards across our business;
- Ensure our external subcontractors adhere to our highest standards of health and safety; and
- We endorse an open dialog with our employees, customers, suppliers and the public.

As a key health and safety performance indicator, we track our total recordable incident rate ("**TRIR**"). TRIR is a standardized health and safety measurement coefficient, defined by the SASB and calculated as the total recordable health and safety incidents multiplied by 200,000 and then divided by the total annual working hours of our workforce. It allows us to compare our company's health and safety management against other industry peers. In addition, it allows us to track the effectiveness of our implemented measures to prevent accidents. For the fiscal year ended December 31, 2020, we were able to reduce our TRIR to 1.80 from 2.34 in fiscal year ended December 31, 2019 on a Like-for-like basis, which represents a 23% year on year decrease.

In addition, we work closely with the Irene and Friedrich Vorwerk Foundation (the "**Foundation**"). The Foundation was established by Irene and Friedrich Vorwerk on October 9, 1997. It is an expression of the couple's deeply felt moral obligation to use part of their assets for charitable purposes. With the foundation, all their diverse social activities were brought together under one roof. Its mission is to promote charitable, cultural and scientific projects as well as assistance for young people and the elderly. The philosophy of Irene and Friedrich Vorwerk to support needy persons and charitable projects quickly and unbureaucratically continues to be consistently implemented by the representatives of the Foundation. For almost 20 years, the Foundation has been involved in promoting educational projects. This includes, among other things, awarding the Foundation's sponsorship prize

for excellent academic performance to students at Hafencity University Hamburg. The Foundation is also committed to promoting youth and development beyond Germany. In 2019, for example, a so-called water kiosk was built on the African island of Pate Island on the north coast of Kenya near a girls' boarding school. The water treatment plant gives the population access to urgently needed clean drinking water. The Foundation also sponsors children in developing countries to attend school. In many poor regions of the world, children have no opportunity to receive a school education due to economic reasons.

Governance:

As part of our commitment to implement stringent governance standards in our business, we focus on implementing the following principles as also set forth in our code of conduct:

- Any kind of forced labor is strictly prohibited;
- Child labor in any step along the value chain is banned;
- We do not tolerate any kind of discrimination;
- We endorse an open dialogue between employees and the company's directors;
- All economic conduct shall occur with highest integrity. We do not tolerate any form of corruption; and
- We developed channels via which our employees can communicate any of their concerns without having to fear reprisals. This has been communicated clearly and to all employees.

In practice, we control the adherence to these principles within the framework of our compliance management system.

10.13. Property, Plants and Equipment

Our corporate headquarters are located at Niedersachsenstraße 19, 21255 Tostedt, Germany. We are the owner of the majority of the Vorwerk Group's premises. However, there are several sites where we lease the premises.

The following table provides an overview of the real property owned or leased by the Vorwerk Group as of December 31, 2020:

Location	Floor space (in sqm)	Leased / Owned	End of lease	Primary Use	Used by
Niedersachsenstraße 19, 21255 Tostedt	Office space 510	Owned	-	Offices	Friedrich Vorwerk SE & Co. KG, VORWERK Pipeline- und Anlagenservice GmbH, Vorwerk-EEE GmbH, EUROPEAN PIPELINE SERVICES GmbH
Harburger Straße 19, 21255 Tostedt	Open space 55,000 Warehouse 4,500	Owned	-	Production Facility	Friedrich Vorwerk SE & Co. KG
Konsul-Wester-Str. 12, 29439 Lüchow-Dannenberg	Office space 320 Warehouse 600 Workshop 480	Owned	-	Offices, Production Facility	Friedrich Vorwerk SE & Co. KG
Magdeburger Chaussee 44, 06193 Petersberg OT Sennewitz	Office space 800 Warehouse 1,000 Workshop 450	Owned	-	Offices, Production Facility	Friedrich Vorwerk SE & Co. KG, VORWERK Pipeline- und Anlagen-service GmbH
Gewerkenstraße 3, 44628 Herne	Office space 380 Production hall 850 Workshop 280	Owned	-	Offices, Production Facility	VORWERK-ASA GmbH
Poznańska 7, 66-440 Skwierzyna, Poland	Office space + Warehouse 1,552 m ² Open space 9,658 m ²	Owned	-	Offices, Operational property	EAS Einhaus Anlagenservice GmbH
Am Ölwerk 10, 49744 Geeste	Property 5,000	Owned	-	Offices, Production Facility	EAS Einhaus Anlagenservice GmbH, European Pipeline Services GmbH

Location	Floor space (in sqm)	Leased / Owned	End of lease	Primary Use	Used by
Hardenbergstraße, Halle/Saale	93 m ² 55 m ²	Owned	-	Condominiums	Rented out
Am roten Felde, Heidweg, Tostedt	Property ca. 90 ha	Owned	-	Woods	Friedrich Vorwerk SE & Co. KG
Lüchow-Dannenberg	Property 2 ha 75 a 32 m ²	Owned	-	Sand pit	Not in use
21255 Tostedt	46,676m ²	Owned	-	Sand pit	Friedrich Vorwerk SE & Co. KG
Niedersachsenstraße 21, 21255 Tostedt	Office space 640 m ²	Leased	Indefinite	Office spaces	Friedrich Vorwerk SE & Co. KG, VORWERK Pipeline- und Anlagenservice GmbH, Vorwerk-EEE GmbH, EUROPEAN PIPELINE SERVICES GmbH
Hauptstrasse 240-242, 26639 Wiesmoor	77,728 m ² incl. 22,566 m ² build area. (We sublet parts of the real estate via a long-term sublet agreement.)	Owned	-	Offices, Production Facility	Bohlen & Doyen Bau GmbH, Bohlen & Doyen Service und Anlagentechnik GmbH
Industriestrasse 3, 5, 7 (Hallen Anlagenbau), 26639 Wiesmoor		Owned	-	Offices, Production Facility	Bohlen & Doyen Bau GmbH, Bohlen & Doyen Service und Anlagentechnik GmbH
Hauptstrasse 244, 244a, 248 sowie Industriestrasse 9, 11, 13, 26639 Wiesmoor		Owned	-	Offices, Production Facility	Bohlen & Doyen Bau GmbH, Bohlen & Doyen Service und Anlagentechnik GmbH
Ludwig-Witthöft-Straße 7, 15745 Wildau	486,35m ² + 586m ² open space	Leased	April 30, 2024	Offices	Vorwerk-EEE GmbH
Knoblaucher Chaussee, 14669 Ketzin	296,6m ²	Leased	Indefinite	Offices, Production Facility	Friedrich Vorwerk SE & Co. KG, VORWERK Pipeline- und Anlagenservice GmbH

10.14. Employees

We have a good working relationship with our employees and have not experienced any strikes or work stoppages during the periods under review.

The following table shows the number our employees by headcount (*i.e.*, full-time equivalent and part-time employed employees) for the Vorwerk Group as of December 31, 2020, 2019 and 2018:

	As of December 31,		
	2020	2019 ⁽¹⁾	2018
Employees.....	1,304 ⁽²⁾	1,239	705

(1) Includes 475 employees of Bohlen & Doyen employed as of December 31, 2019.

(2) Of which 1,284 were located in Germany and 20 employees were located in Poland. As of the date of this Prospectus, Friedrich Vorwerk Group SE consists only of the two members of the Management Board.

Between December 31, 2020 and the date of this Prospectus, the number of employees has not changed significantly.

10.15. Insurance

Our insurance coverage includes, inter alia, property, machine, assembling, vehicle, business liability, travel and accident insurance.

In addition, the members of our Management Board and Supervisory Board are covered by a directors and officers liability insurance ("**D&O Insurance**") up to a total amount of EUR 70 million per year for all insurance incidents in that particular year. The D&O Insurance covers financial losses that may arise in the course of the exercise of the corporate duties of the insured persons. As required under applicable German law, each member of our Management Board remains personally responsible, in the event it is adjudged to have personal liability, for 10%

of the total amount of such liability, up to an amount that equals one point five times such member's total annual fixed remuneration.

We believe, according to our current knowledge, that the existing insurance coverage, including the level and conditions of coverage, meet the customary standard for our industry and provide reasonable protection, taking into account the costs for the insurance coverage and the potential risks of our business operations. We review our insurance coverage on a regular basis and make adjustments, if necessary. However, we cannot guarantee that losses will not be incurred or that claims will not be filed against us and companies of the Vorwerk Group which exceed the scope of the relevant existing insurance coverage.

10.16. Legal and Arbitration Proceedings

We are exposed from time to time to legal proceedings in the normal course of our business. We are currently not and have not been in the past twelve months a party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which we are aware) which have or have had in the recent past significant effects on our business.

10.17. Material Agreements

10.17.1 Acquisition of 100% of the shares of Bohlen & Doyen Bau GmbH as well as 100% of the shares of Bohlen & Doyen Service und Anlagentechnik GmbH

On November 1, 2019, Vorwerk KG entered into a share purchase agreement with SPIE SAG GmbH, the sole shareholder of Bohlen & Doyen Bau GmbH, a German limited liability company with its registered office in Wiesmoor Germany and Bohlen & Doyen Service und Anlagentechnik GmbH, a German limited liability company with its registered office in Wiesmoor, Germany, to acquire 100% of the shares in each of the companies. The acquisition was completed on December 10, 2019.

The purpose of such acquisition was to gain access to Bohlen & Doyen's specialized technologies such as HDD as well as to expand our capacities of highly trained employees. Under the terms of the share purchase agreement, we and SPIE SAG GmbH agreed to customary representations and warranties regarding due incorporation, transferability of shares, intellectual property rights, financial representation, employees, real estate, court proceedings and disputes, distribution agreements, financial reporting, related party transaction and due diligence reviews. As consideration for the acquisition of 100% of the shares, we paid EUR 5.3 million to the seller.

10.17.2 Acquisition of the operational headquarter premises of Bohlen & Doyen Bau GmbH

On December 16, 2020, Friedrich Vorwerk SE & Co. KG acquired the operational headquarters of Bohlen & Doyen Bau GmbH in Wiesmoor, Germany, consisting of 77,728 m² of plot area as well as offices and shop-floor space of 22,566 m². The premises were acquired from CTP Germany V GmbH. The purpose of the acquisition was to secure our sustainable and long-term business development and provide a base for the expansion of our hydrogen capabilities. As consideration for the acquisition of the premises, we paid a purchase price of EUR 8.95 million.

10.17.3 Contribution Agreements

On September 25, 2020, the Company's extraordinary general shareholders' meeting resolved to increase the Company's share capital from EUR 120,000.00 by EUR 3,000,000.00 to EUR 3,120,000.00 by issuing 3,000,000 new registered shares (*auf den Namen lautende Stückaktien*), each such share with a notional interest in the spare capital of EUR 1.00, against contributions in kind by MBB SE and ALX Beteiligungsgesellschaft mbH.

In connection with the Company's extraordinary general shareholders' resolution, each of MBB SE and ALX Beteiligungsgesellschaft mbH concluded on September 25, 2020, respective Contribution Agreements (*Einbringungsverträge*) with the Company (the "**Contribution Agreements**"). Pursuant to the Contribution Agreements, MBB SE contributed by assignment 59.950% of the limited partner interests (*Kommanditanteile*) with a liability amount (*Haftsumme*) of EUR 1,199,000.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the Company and ALX Beteiligungsgesellschaft mbH contributed by assignment 29.975% of the limited partner interests with a liability amount of EUR 599,500.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the

Company (the "**Capital Contributions**"). As consideration for the respective Capital Contributions, MBB SE was permitted by the Company to subscribe for, subscribed and received 2,000,000 shares in the Company and ALX Beteiligungsgesellschaft mbH was permitted by the Company to subscribe for, subscribed and received 1,000,000 shares in the Company. The Contribution Agreements contain standard representations of MBB SE and ALX Beteiligungsgesellschaft mbH with regard to their respective Capital Contributions.

The Company did not enter into any other material agreements on which its business depends during the periods under review.

10.17.4 Material Joint Venture Agreements

On August 20, 2020, Vorwerk KG entered into a German law governed joint venture agreement with PPS Pipeline Systems GmbH and HABAU Hoch- und Tiefbaugesellschaft m.b.H as a 40% stakeholder of the Arbeitsgemeinschaft ETL 178 (the "**ETL Joint Venture**"), a company under civil law ("**GbR**") with its registered office in Tostedt, Germany. On November 24, 2020, Vorwerk KG's stake in the ETL Joint Venture increased to 50%. The joint venture partners decided to split the responsibilities horizontally meaning that each partner performs all required tasks of a project. Collaborating with GASUNIE, the VW Group and the City of Wolfsburg, the ETL Joint Venture is laying the foundation for a completely CO₂-neutral hydrogen economy for the industrial sector. The construction of a 33 kilometers long H₂-ready pipeline will, in a first step, allow for the quick shift from the current coal-based energy supply to considerably more emission-friendly natural gas. In a second step, hydrogen will replace natural gas as the primary energy source and hence contribute to achieving the European climate goals.

On December 23, 2018, Vorwerk KG entered into a German law governed joint venture agreement with DENYS NV and Anton Meyer GmbH & Co. KG as a 37.5% stakeholder of the Arbeitsgemeinschaft EUGAL Los 7 und 8, a company under civil law (GbR) with its registered office in Neuhaus Germany (the "**EUGAL Joint Venture**"). The joint venture partners decided to split the responsibilities horizontally meaning that each partner performs all required tasks of a project. The EUGAL pipeline transfers Russian gas from the Baltic coast southwards to the Czech border. The purpose of the EUGAL Joint Venture is to secure the gas supply for the European market through the construction of the EUGAL pipeline, which is running short of natural gas reserves due to the decline of gas production in the Netherlands and decreasing resources in the North Sea.

On March 3, 2019, Bohlen & Doyen GmbH entered into a German law governed joint venture agreement with BoskalisOffshore Subops GmbH as 45.6% stakeholder of the Consortium BoDo Boskalis DolWin6 Project with its registered office in Hamburg, Germany ("**BoDo Boskalis Joint Venture**"). The joint venture partners decided to split the responsibilities vertically meaning that each partner is responsible for one or more specific tasks within the overall project. Bohlen & Doyen GmbH will provide the works regarding the onshore installation of the DC-cable, while BoskalisOffshore Subops GmbH will provide the works regarding the installation of the offshore DC-cable. The parties agreed to limit the liability and warranty among themselves depending on which party actually provided services for a particular task in connection with the BoDo Boskalis Joint Venture. On August 23, 2019, Bohlen & Doyen GmbH transferred its stake in the BoDo Boskalis Joint Venture to Bohlen & Doyen Bau GmbH by operation of a spin-off agreement. Together with Nexans and TenneT, the BoDo Boskalis Joint Venture will create a landfall connection for 900 MW of windpower from the North Sea into Germany's high voltage grid. Bohlen & Doyen Bau GmbH will construct 42 kilometers of onshore cable.

On December 10, 2018, Vorwerk KG entered into a German law governed joint venture agreement with Anton Meyer GmbH & Co. KG, PPS Pipeline Systems GmbH and HABAU Hoch- und Tiefbaugesellschaft m.b.H as a 25% stakeholder of the Arbeitsgemeinschaft Zeelink Los 3 - 5, a company under civil law (GbR) with its registered office in Quackenbrück Germany ("**Anton Meyer Joint Venture**"). The joint venture partners decided to split the responsibilities horizontally meaning that each partner performs all required tasks of a project. The Joint Venture Arbeitsgemeinschaft Zeelink Los 3 – 5 will construct a pipeline, which is essential for the conversion from L- to H-gas.

10.17.5 Financing Agreements

The Vorwerk Group is party to various financing agreements and guarantee facilities. As of December 31, 2020, we were party to guarantee facilities amounting to EUR 176.0 million in the aggregate, of which EUR 95.3 million had

been utilized. The guarantee facilities are distributed among various banks and insurance companies. The four largest contractual partners account for a total of EUR 147.5 million. The guarantee commissions for these four guarantee lines range between 0.35% and 0.50% (see "8.7.4. Sources of funding" in this Prospectus for further details).

11. REGULATORY ENVIRONMENT

11.1. Regulatory Overview

The Vorwerk Group is subject to environmental legal requirements relevant for the critical energy infrastructure sector. In addition, the regulatory framework within which Vorwerk conducts its business activities includes, inter alia, provisions on permits, waste management, soil and groundwater contamination, water protection and handling, storage and transport of chemicals and hazardous substances, emissions as well as environmental liability. The application of the various regulations depends on the specific facilities and installations. The Vorwerk Group operates in a heavily regulated environment. Environmental and regulatory laws and regulations applicable to us are subject to permanent legislative changes. They are continuously being adapted, at international and national levels (especially by the European Union), following the steady technological development and the increased need for safety and the environmental consciousness of the population. The regulations applicable may have distinctive characteristics, in the EU for instance, due to leeway with regard to the implementation of EU directives, which have no immediate applicability, into each EU member state's legal system or within areas of law that have not yet been harmonized fully or in parts at the EU level.

In the following, we summarize the most important laws and regulations, with a focus on Germany and the EU, that are key factors for our business. Please note that the following obligations only apply to us if we ourselves operate the relevant facilities. If we plan and construct facilities for our customers, our customers are subject to the following obligations.

11.1.1 Permits and compliance for the construction, operation and alteration of industrial facilities

For the construction, operation and alteration of industrial facilities, such as energy infrastructure, in general immission control (environmental) permits or, alternatively, building permits and permits under water laws are needed. With regard to pipelines, planning approval decisions and planning permits are required in certain cases. In the application process for such permits, the authority assesses whether the specific facility the permit has been applied for will be in compliance with applicable provisions of environmental and regulatory law, in particular, with regard to emissions, planning law and building regulations, waste disposal, nature protection, occupational health and safety and, in the case of permits under water law, use and disposal of water. As a general rule, the permits cover most environmental, construction and regulatory requirements that have to be met (*e.g.*, with respect to emissions and occupational health and safety).

11.1.2 Environmental Permits

Facilities require an environmental permit in accordance with the Federal Immission Control Act if they correspond to a type specified in the Fourth Federal Immission Control Ordinance. Environmental permits are typically subject to numerous and substantial incidental conditions regulating and balancing other public and private interests such as the protection of neighbors against harmful noise, air or odor emissions and safeguarding of nearby protected areas and species. In order to ensure that the operations are maintained in the state of the art manner, relevant authorities may impose operational restrictions in subsequent orders even after the initial permit can no longer be challenged, within the limits of the proportionality principle.

Some application procedures include public participation (*e.g.*, the application procedure for an immission control permit may include a public participation not limited to specific stakeholders, notably involving environmental NGOs). As a result of the involvement of the public, objections may be raised and thereby complicate and delay procedures. Moreover, permits may be subject to legal proceedings initiated by third parties, namely neighbors and environmental non-governmental organizations whose participation rights have been expanded by the EU public participation directive (Directive 2003/35/EC, as last amended by Directive 2016/2284 of the European Parliament and of the Council of December 14, 2016) and its interpretation by the European Court of Justice, as well as by the German legislation (*Umweltrechtsbehelfsgesetz*) that implements the Aarhus Convention principles.

Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative orders (provision of information, monitoring and measuring, submitting samples, restoring, complementing and changing processes) and administrative fines. The responsible individuals may also be subject

to criminal prosecution. Furthermore, in a worst case scenario, the relevant authority may order a (partial) shutdown of the facility and, under certain circumstances, revoke the permit.

11.1.3 Building Permits

Generally, all buildings and installations must have building permits under public building and construction laws. The building permit is already included (so-called "concentration effect") in an environmental permit for a facility. In the event that no environmental permit is required, a separate building permit is necessary. Building permits have, as compared to environmental permits, a reduced scope of review, do not include permits required under other laws, and do not provide for public participation. Typically, building permits contain incidental conditions relating to the impacts on the neighborhood such as maximum noise levels, odor or air emissions levels, operational hours, fire protection and monitoring duties. They must be issued in compliance with or on the basis of express exemptions from the stipulations in the relevant zoning plan covering the facility. Zoning plans establish restrictions, *e.g.*, certain uses and types of building.

Non-compliance with the requirements set out in specific permits and their ancillary conditions may trigger administrative orders and administrative fines. Furthermore, in a worst-case scenario, the relevant authority may order a (partial) shutdown of the facility and, under certain circumstances, revoke the permit.

11.1.4 Permits under water law

The construction and operation of pipelines for the transport of hazardous liquids requires a permit. If the pipeline is limited to a plant site, is an accessory to a facility for handling substances hazardous to water or connects facilities that are closely related to each other in terms of space and operation, a permit in accordance with the German Federal Water Act (*Wasserhaushaltsgesetz*) is sufficient. In this case, the relevant authority has lawful discretion to issue additional conditions, even after the original permit has become final and absolute.

Depending on their length, diameter and the substances they transport, other pipelines require a planning approval decision or a planning permit in accordance with the Environmental Impact Assessment Act (*UVPG*). For example, the construction of a pipeline for the transport of liquefied gas with a diameter of more than 800 mm and a length of more than 40 kilometers requires a planning approval decision. Both the planning approval decision and the planning permit may only be issued if it is ensured that the welfare of the public is not impaired. The respective procedures are comprehensive, time intensive and require public participation. Furthermore, planning approval decisions as well as planning permits may be subject to legal proceedings initiated by third parties, namely neighbors and environmental non-governmental organizations.

For pipelines in which certain flammable or hazardous substances are transported, the material requirements of the Pipeline Ordinance apply in particular. Under this regulation, harmful effects on people and the environment must be avoided. The pipeline operator must maintain the pipeline in proper condition and monitor it on a permanent basis. In addition, he is subject to documentation obligations.

11.1.5 Public Procurement Law

We conduct a large share of our business with governments and government-owned enterprises. The award of contracts with such entities is commonly subject to public procurement laws which are found in international, European and national legislation. Public procurement laws generally require public entities, sectoral contracting entities and concession grantors to award contracts and concessions in a transparent and non-discriminatory tender procedure, dependent on certain thresholds. Tender obligations also apply to material amendments to existing contracts. In case of violation of public procurement requirements, the underlying contract may become null and void and competitors may claim damages against the public contracting entity.

On an international level, many of the countries into which we deliver our products are bound by public procurement provisions of the Government Procurement Agreement (*Übereinkommen über das öffentliche Beschaffungswesen*, "GPA"). At the European level, Directive (EC) 2014/24 on public procurement applies. Germany has implemented the international and European rules into national procurement law, particularly in form of the German Act against Restrictions of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*).

11.1.6 Antitrust and Competition laws

We are also subject to various antitrust and competition laws which aim to protect free competition. National and supranational authorities that monitor compliance with antitrust and competition laws may initiate investigations and proceedings into alleged infringements, such as anti-competitive agreements between competitors or enterprises in a customer-supplier relationship, or the abuse of a dominant market position. Violations of antitrust and competition laws can have various consequences including criminal sanctions, administrative fines, disgorgement of profits, exclusion from public tenders, nullity of agreements and civil claims for damages. Antitrust and competition laws in individual jurisdictions may also include rules requiring the approval by antitrust authorities of certain corporate transactions (such as mergers and acquisitions or the creation of joint ventures) or cooperation arrangements between enterprises, and enable the authorities to impose certain conditions or obligations in these cases.

11.1.7 Chemical Regulations (REACH)

REACH is the Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No 1907/2006 of the European Parliament and of the Council of December 18, 2006, as last amended by Commission Regulation (EU) No 2015/830 of May 28, 2015). As the Vorwerk Group plans, realizes and operates critical energy infrastructure for gas, hydrogen and electricity, we are subject to REACH. REACH entered into force in stages, first on June 1, 2007, to streamline and improve the former legislative framework on chemicals of the EU. Its main objectives include improving the protection of human health and the environment from the risks that can be posed by chemicals and ensuring the free circulation of substances in the internal market of the EU.

REACH places greater responsibility on the industry to manage the risks that chemicals may pose to health and the environment. Other legislation regulating chemicals or related legislation (*e.g.*, on health and safety of workers handling chemicals, product safety, construction products) not replaced by REACH continue to apply.

REACH applies to all chemical substances. In principle, all manufacturers and importers of chemicals must identify and manage risks linked to the substance they manufacture and market. For substances produced or imported in quantities of one ton or more per year per company, manufacturers and importers need to demonstrate that they have appropriately done so by means of a registration dossier, which shall be submitted to the European Chemicals Agency ("ECHA"). ECHA will check that the dossier is compliant with REACH and will evaluate testing proposals to ensure that the assessment of the chemical substances will not result in unnecessary testing, especially on animals. Where appropriate, authorities may also select substances for a broader substance evaluation to further investigate substances of concern.

Regarding certain hazardous substances, REACH also provides for an authorization system aiming to ensure that substances of very high concern are adequately controlled and progressively substituted by safer substances or technologies or only used where society benefits overall from using the substance. These substances are prioritized and gradually included in Annex XIV to REACH. Once they are included, further use of these substances requires authorization by ECHA. In addition, EU authorities can impose restrictions on the manufacture, use or placing on the market of substances causing an unacceptable risk to human health or the environment.

Manufacturers and importers must provide their downstream users with the risk information they need to be able to use the substances safely. This is done via the classification and labelling system and Safety Data Sheets (SDS) as needed.

11.1.8 Prevention of Major Accidents (Seveso Requirements)

Following an industrial accident in the Italian town of Seveso in 1976, European legislation on prevention and control of major industrial accidents was adopted to prevent major accidents involving dangerous substances, limit their consequences for human health and the environment and to reduce the hazards to human beings and the environment caused by dangerous chemicals ("Seveso Requirements"). Our manufacturing sites in Germany are subject to Seveso Requirements because of the types and quantities of the dangerous substances processed and stored which does not only trigger organizational, management and information obligations but also may result in building and use restrictions for us or our neighbors.

In Germany, the Seveso Requirements were implemented into German law by the Federal Immission Control Act and the Ordinance on Major Accidents and Incidents (*Störfallverordnung* or *12th BImSchV*). Under the Federal Immission Control Act, facilities in which substances listed in Annex II of the Hazardous Incident Ordinance are stored in certain quantities require a special permit, if the distance to neighboring uses worthy of protection falls below a certain safety distance for the first time. The permit will be granted if the requirements of the Ordinance on Major Accidents and Incidents and other public law regulations are met. The public must be involved in the permitting procedure. The Ordinance on Major Accidents and Incidents requires the set-up of specific plans, procedures and precautions for the production and storage of certain hazardous substances and applies to installations presenting a risk of accidents involving dangerous substances. As a result, a major accident prevention policy, safety reporting systems and management systems as well as emergency plans must be set up by companies depending on the type and quantities of dangerous substances stored and handled. In addition to these general duties, the operator must provide a safety report to be accepted by the competent authority, set up internal emergency plans and comply with extended information obligations.

11.1.9 Soil and groundwater contamination

Critical energy infrastructure may lead to risks of soil and groundwater contamination. In Europe, liability for contamination of soil and groundwater has not to date been subject to specific regulations or a protection policy. Under German law, the polluter, the universal legal successor of the polluter, the current owner, the operator, and – under certain preconditions – the former owner of a site are jointly and severally liable for existing, threatened or suspected soil and groundwater contamination. In exceptional cases, piercing of the corporate veil is possible, *i.e.*, the parent company may be held liable if the owning or operating company belonging to the same affiliated group was intentionally undercapitalized in order to avoid liability under the soil protection laws.

The authority may, at its lawful discretion, impose measures and costs on one of the potentially liable parties regardless of possible agreements on liability under civil law. Such measures may consist of investigations, containment, clean-up actions or monitoring measures. In order to determine the need for investigations or clean-up measures, reference is made to limit (trigger) values set for specific contaminants. The party held liable may claim, under civil law, contribution or compensation from other polluters.

11.1.10 Certification Requirements

As a supplier for the critical energy infrastructure sector, Vorwerk Group is required to demonstrate its technical and organizational expertise through various qualification and certification procedures in regards to safety, environmental protection and quality standards. While some of such requirements are stipulated by law, *e.g.*, the German High Pressure Gas Pipeline Ordinance (*Gashochdruckleitungsverordnung (GasHDrLtgV)*) in conjunction with the legal and technical requirements of the Energy Management Act (*Energiewirtschaftsgesetz*), some of such rules and regulations are developed, monitored and continuously updated by professional associations, such as the German Technical and Scientific Association for Gas and Water (*Deutscher Verein des Gas- und Wasserfaches e.V. (DVGW)*), a recognized standardization body for the gas and water industry.

The criteria for successful qualifications and certifications are in particular the provision and training of qualified technical personnel with comprehensive knowledge of the respective systems, modern technical equipment and certain requirements regarding organization and supervision of critical processes. Compliance with these criteria is monitored through site and operational inspections, submission of personnel certificates and proof of instruction as well as technical discussions.

For example, the certification procedure according to DVGW Code of Practice GW 301 for the qualification of pipeline construction companies is broadly accepted among utility companies, network operators and pipeline construction companies and the maintenance of such certification is a prerequisite of being permitted to participate in any public or private tender process for new projects in the field of gas pipeline construction in Germany. Similarly strict certification requirements exist for plant construction, cable line construction, wastewater engineering, biogas upgrading and service and maintenance. In addition, our customers typically demand, among other proofs of qualification, certifications in the area of quality control (in particular through compliance with standard DIN EN ISO 9001:2008), safety management (in particular through compliance with SCCP 2006 Safety Certificate Contractors) or energy management (according to DIN EN ISO 5001:2011). Most of these requirements are an integral part of the European Union's Eco-Management and Audit Scheme (*EMAS*),

which is aimed at ensuring a strict and uniform set of rules across the industry and its sub-segments in which we are operating.

11.1.11 Cyber Security Regulation

In particular grid and generation related products, form part of a greater infrastructure that supplies the general public with electricity. In most countries this is critical infrastructure and therefore has to be protected against cyberattacks. Therefore, operators of this infrastructure are regularly obligated to take adequate organizational and technical measures to avoid disruptions of their IT systems, components or processes that are essential for the critical infrastructure's operation. They also must ensure the availability of these systems and data, the integrity as well as the confidentiality of processed information.

In the EU, Directive (EU) 2016/1148 on cyber security of network and information systems ("NIS Directive") proposes a wide-ranging set of measures to boost the level of security of network and information systems to secure services vital to the EU economy and society, including providers of essential services in critical sectors such as energy. It aims to ensure that EU countries are well prepared and ready to handle cyberattacks in particular by the adoption of national cyber security strategies and obligations of essential services providers and digital service providers, to ensure that they take appropriate security measures and notify the relevant national authorities about serious incidents. The aforementioned directive addresses the member states and does not create any obligation for companies. Regulation (EU) 2019/881 on the European Union Agency for Cybersecurity ("ENISA") mandates ENISA to support EU member states regarding cyber security risks and aims at the certification of several critical infrastructure sectors. A framework for EU cyber security certification for products, processes and services is currently being developed.

In Germany, the relevant framework comprises the Act on the Federal Office for Information Security (*Gesetz über das Bundesamt für Sicherheit in der Informationstechnik*) and further rules in sector-specific special laws. For us, the relevant sector-specific legislation is the Energy Industry Act (*Energiewirtschaftsgesetz*). Under the Federal Office for Information Security operators of critical infrastructures are required to take appropriate organizational and technical precautions to prevent disruptions to their information technology systems, components or processes that are critical to the functioning of the respective infrastructure. Compliance with these requirements must be demonstrated to the Federal Office for Information Security at least every two years. The Federal Office for Information Security can also check the operator's compliance with these requirements. Operators must report certain faults in the information technology systems to Federal Office for Information Security immediately. According to the Ordinance on the Designation of Critical Infrastructures, critical infrastructures include certain gas and energy supply facilities, e.g., gas transmission networks or electricity grids.

The Energy Industry Act also sets minimum standards for cyber security for energy supply networks and energy plants. The Federal Network Agency (*Bundesnetzagentur*) specified details in a security catalog, including the implementation and certification of an information security management system in accordance with ISO/IEC 27001.

11.2. Other Laws and Regulations

11.2.1 Protection of Trade Secrets

In addition to classified information from governmental sources (see "11.2.3. Supply Chain Compliance"), we are also obliged to protect trade secrets and implement appropriate safeguards.

In Germany, the Act on the Protection of Trade Secrets (*Geschäftsgeheimnisgesetz*), which transposes Directive (EU) 2016/943 on the protection of undisclosed know-how and business information into national law, requires companies to put in place reasonable steps for the protection of their trade secrets, such as defining responsibilities for the protection of trade secrets, restricting access to confidential information, implementing password and virus protection, encrypting data, concluding confidentiality agreements and conducting employee trainings. The establishment of such security measures is therefore crucial for us, as per definition only information that is subject to security measures is protected under the Act on the Protection of Trade Secrets against unauthorized access and trade secrets infringements by third parties. In addition, management would be exposed to a liability risk if it has not undertaken reasonable steps to protect the company's trade secrets.

11.2.2 Data Protection

When processing personal data, we are subject to the GDPR and the respective implementation legislation in the national laws of the Member States, which is in Germany the Federal Data Protection Act (*Bundesdatenschutzgesetz*). Both the GDPR and the Federal Data Protection Act (*Bundesdatenschutzgesetz*) are applicable since May 25, 2018. The GDPR has significantly changed the legal framework for data protection in Europe and triggered additional compliance efforts and costs for German companies in general. We have implemented different measures in order to achieve compliance (including, but not limited to, adjustments of internal processes, safeguarding of internal and external data transfers, entering into data protection contracts and monitoring by our legal and compliance team) and are further developing our data protection systems and procedures. A violation of obligations under the GDPR may constitute an administrative offense, which can result in fines or investigative measures imposed by the competent data protection authority.

11.2.3 Supply Chain Compliance

On March 5, 2020, the German parliament adopted the Mineral Raw Material Due Diligence Act (*Mineralische-Rohstoffe-Sorgfaltspflichten-Gesetz*) to implement Regulation (EU) 2017/821 laying down supply chain due diligence obligations for European Union importers of tin, tantalum and tungsten, their ores and gold originating from conflict-affected and high-risk areas. From 2021, importers will be subject to comprehensive organizational, verification, information and cooperation obligations, which are intended to improve the guarantee and control of compliance along the supply chain in trade with conflict minerals and metals.

In addition, the German government announced in mid-July 2020 that a Supply Chain Act (*Lieferkettengesetz*) is intended to be passed before the end of the current legislative period in September 2021. The proposed Supply Chain Act would oblige companies to ensure protection of human rights and minimum social standards in their supply chains. While details of the Supply Chain Act have not yet been disclosed, it is generally expected that it will require companies with more than 500 employees to examine whether their own production and procurement activities have an adverse effect on internationally recognized human rights and such companies would have to take appropriate preventive and remedial measures as part of their duty of care. According to the current state of the discussion, the responsibility of companies is supposed to depend on the degree to which they are able to exert influence. In addition, it is currently discussed that a company would not be liable for impairments that could not be foreseen or avoided by applying reasonable care. Companies would be able to exculpate themselves in particular if they join and implement an officially recognized industry standard ("safe harbor"). In this case, civil liability would only apply if deliberate or grossly negligent conduct contributed to a human rights violation.

11.3. Energy Regulation

The Vorwerk Group's customer base stems mainly from the energy industry, in particular from the industry segments natural gas, electricity and hydrogen, and their business is governed to a significant part by the regulatory framework of European and German energy law. This section provides a brief overview of the main aspects of this regulatory framework.

11.3.1 Regulatory framework of the electricity and gas markets

The first fundamental change in the power and gas market was initiated by the liberalization process starting in the 1990s with the EU internal market directives for electricity and gas and their implementation in Germany through the amendment of the German Energy Industry Act (*Energiewirtschaftsgesetz*) in 1998. The main objective of the EU-driven liberalization of the European energy markets was to create efficiency gains through the establishment of competitive market behavior in energy trade, supply and generation. The concept of liberalization is based on the opening of the grid infrastructure (which is a natural monopoly) to all relevant market participants. Allowing other market participants to access and use the network systems under non-discriminatory conditions, provides for competitive trade and supply markets, incentivizes innovation and creates efficiency.

Therefore, the German Energy Industry Act (*Energiewirtschaftsgesetz*) mainly addresses the electricity and gas network operators. It sets out the main regulation of the German energy market including unbundling requirements, grid operation, energy supply, grid concessions, regulators and legal protection. A number of EU regulations and German law ordinances set forth in more detail capacity allocation, tariff calculation and network

access. The Company's network system operation customers are therefore highly regulated companies. This includes, in particular at the level of high-voltage grids, the planning of further grid expansion such as long-distant HVDC cables, which is done based on a joint and cross-European effort through long-term network development plans in cooperation with the energy regulatory authorities (see also "9.3.4. Market participants and regulatory frameworks in the addressed transmission sector").

Section 49 of the German Energy Industry Act (*Energiewirtschaftsgesetz*) contains requirements for all types of energy plants within the meaning of the German Energy Industry Act (*Energiewirtschaftsgesetz*), addressing both constructors and operators of energy facilities. It requires construction and operation to comply with the generally accepted standards of technology in particular as set forth in certain guidelines from industry associations such as the DVGW (*Deutscher Verein des Gas und Wasserfaches*). In addition to the direct requirements for ensuring technical security, section 49 of the German Energy Industry Act (*Energiewirtschaftsgesetz*) authorizes the Federal Ministry for Economic Affairs and Energy (*Bundesministerium für Wirtschaft und Energie*) to set forth provisions and official procedures in the form of ordinances and contains an authorization for energy supervisory authorities.

11.3.2 Energy transition

The ongoing energy transition is the next fundamental change in the German energy industry. The major elements of this energy transition are the nuclear phase out, the introduction of a European emission trading system and the introduction of a reliable and functioning support scheme for renewable energies via the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*).

The German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*) aims to promote the expansion of electricity generation from renewable energy sources. The German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*) sets out the priority network access and a guaranteed minimum remuneration for the electricity produced over a period of 20 years. Since 2017, it is supplemented by the German Offshore Wind Energy Act (*Windenergie-auf-See-Gesetz*). The support for cogeneration power plants is regulated in the German Combined Heat and Power Act (*Kraft-Wärme-Kopplungsgesetz*).

As part of its efforts to cut in half energy-related carbon emissions by 2030, Germany aims to phase out coal-based power. On August 14, 2020, the law on reducing and ending coal-fired power generation and amending other laws (German Coal Exit Act (*Kohleausstiegsgesetz*)) has become effective. The aim is to end the generation of electricity from coal in an economically justifiable manner, requiring coal-fired power generation in Germany to be terminated by 2038. To this purpose, it sets out an orderly, step-by-step exit. In addition, it is to be reviewed at various dates to determine whether coal-fired power generation could already be completely phased out by 2035.

11.3.3 Hydrogen

Hydrogen plays a key role in the ongoing energy transition. This was highlighted in the announcement of the a national hydrogen strategy (*Nationale Wasserstoffstrategie*, "**National Hydrogen Strategy**") by the German government in June 2020. In July 2020, the European Commission published a strategy document called "A hydrogen strategy for a climate-neutral Europe".

The European Commission Hydrogen Strategy aims to decarbonize the production of hydrogen and thus help achieve the long-term goal of a future zero-carbon economy. Key actions are the development of an investment agenda, various actions to boost demand of hydrogen and scale up its production (such as creating tendering systems for carbon contracts for difference), designing a framework for hydrogen infrastructure and market rules, promoting research and innovation in hydrogen technologies and promoting new opportunities for cooperation on clean hydrogen with neighboring countries and regions.

The National Hydrogen Strategy provides a list of measures aimed at fostering the generation, transport, utilization and re-utilization of hydrogen. Furthermore, it aims at establishing hydrogen as a key element in the energy transition, create the regulatory requirements for the deployment of hydrogen technologies, strengthen German corporations through an increase of research and developments of related technologies and ensure the national supply of clean hydrogen. The National Hydrogen Strategy sets forth a concrete action plan in order to secure the success of the strategy and targets 5 gigawatts of electrolyzer capacity by 2030.

The German regulatory framework for hydrogen is not comprehensive. In particular, there is no consistent and complete framework covering the hydrogen value chain in Germany. Regulations and definitions are sometimes lacking or unclear. There is no framework for carbon capture and storage necessary for the market launch of "blue" hydrogen. Moreover, the fundamental question of whether and, if so, how the established regulatory system for gas should apply to hydrogen is not yet answered. In an effort to change this, an amendment of the German Energy Industry Act (*Energiewirtschaftsgesetz*) is currently being planned. In 2020, the German Federal Network Agency (*Bundesnetzagentur*) conducted a market consultation on how the current legal framework needs to change to enable a swift market ramp-up of hydrogen business. The suggestions were reviewed by the German parliament (*Bundestag*) and it is expected that amendments to the regulation of hydrogen will be introduced in the Energy Industry Act (*Energiewirtschaftsgesetz*) in 2021.

The National Hydrogen Strategy also outlines the improvement of the regulatory framework to enable the efficient use of renewable energies. In order to produce "green" hydrogen, renewable energies are needed. Under the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*), energy consumers generally have to pay a so-called EEG levy, which forms part of the electricity tariff. To reduce the production costs of hydrogen, electricity used to produce green hydrogen is exempt from the EEG levy pursuant to an amendment of the German Renewable Energy Act (*Erneuerbare-Energien-Gesetz*) that came into force on January 1, 2021. Also, electricity-intensive companies producing grey hydrogen may also benefit from a strong limitation of the EEG levy according to the amendment.

11.3.4 Liquefied Natural Gas (LNG)

LNG facilities are a part of the gas transportation system and therefore regulated by the Energy Industry Act (*Energiewirtschaftsgesetz*). Thus, LNG facilities are subject to unbundling rules, approved grid tariff fees and must grant regulated third-party access. However, under certain prerequisites, especially in relation to new infrastructure, LNG facilities may be exempted from regulated third-party access pursuant to section 28a of the Energy Industry Act (*Energiewirtschaftsgesetz*). This exemption is usually temporary and does not cover the entire capacity of the LNG terminal. Under the exemption, the terminal would still be subject to the essential facilities doctrine and non-discriminatory access under general antitrust law provisions. To the extent the infrastructure is fully or partially operated under the regulated regime, oversight is performed by the German Federal Network Agency (*Bundesnetzagentur*).

12. GENERAL INFORMATION ON THE COMPANY

12.1. Incorporation, Entry in the Commercial Register, Name

The Company was formed as a European stock company (*Societas Europaea*) under the laws of Germany by articles of association dated October 2, 2019. Upon a shareholder's resolution of the Company dated September 25, 2020, the Selling Shareholders contributed a total of 89.925% of the shares in Friedrich Vorwerk KG (GmbH & Co.) to the Company by way of a capital increase against contribution in kind. The predecessor of Friedrich Vorwerk KG (GmbH & Co.) (now Friedrich Vorwerk SE & Co. KG) was founded in 1962 as a German limited partnership (*Kommanditgesellschaft*) and was the former parent company of the Vorwerk Group.

The Company's commercial name is "Vorwerk". In addition, some of the Company's subsidiaries use other commercial names reflecting important branches of the Vorwerk Group, in particular Bohlen & Doyen.

12.2. History of the Company

The Company was founded as a shelf company in the legal form of a European company (*Societas Europaea, SE*) under the name Youco M19-H-99 dual Vorrats-SE and with an initial share capital of EUR 120,000. The founder of Youco M19-H-99 dual Vorrats-SE was Youco24 Zweite Gründungs SE, Cologne, Germany. Youco M19-H-99 dual Vorrats-SE had its registered office in Cologne, Germany and was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich under HRB 252158 on October 17, 2019.

By a purchase and transfer agreement (*Kauf- und Abtretungsvertrag*) dated July 3/7, 2020, MBB SE, Berlin, Germany and ALX Beteiligungsgesellschaft mbH, Tostedt, Germany, purchased all shares in Youco M19-H-99 dual Vorrats-SE.

By a resolution of its extraordinary general shareholders' meeting dated July 14, 2020, the seat of Youco M19-H-99 dual Vorrats-SE was moved to Tostedt, Germany, and the name of Youco M19-H-99 dual Vorrats-SE was changed to Friedrich Vorwerk Group SE. The Company's relocation and name change was registered in the commercial register of the local court of Tostedt on August 19, 2020, under HRB 208170.

On September 25, 2020, the Company's extraordinary general shareholders' meeting resolved to increase the Company's share capital from EUR 120,000.00 by EUR 3,000,000.00 to EUR 3,120,000.00 by issuing 3,000,000 new registered shares (*auf den Namen lautende Stückaktien*), each such share with a notional interest in the share capital of EUR 1.00, against contributions in kind by MBB SE and ALX Beteiligungsgesellschaft mbH. In connection with the Company's extraordinary general shareholders' resolution, each of MBB SE and ALX Beteiligungsgesellschaft mbH concluded on September 25, 2020, respective Contribution Agreements with the Company. Pursuant to the Contribution Agreements (as defined in section "10.17 Material Agreements"), MBB SE contributed by assignment 59.950% of the limited partner interests (*Kommanditanteile*) with a liability amount (*Haftsumme*) of EUR 1,199,000.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the Company and ALX Beteiligungsgesellschaft mbH contributed by assignment 29.975% of the limited partner interests with a liability amount of EUR 599,500.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the Company (for further details regarding the Capital Contributions (as defined below), see section "10.17.3. Contribution Agreements"). As consideration for the respective Capital Contributions, MBB SE subscribed for 2,000,000 shares in the Company and ALX Beteiligungsgesellschaft mbH subscribed for 1,000,000 shares in the Company. The contribution and transfer of the aforementioned limited partner interests and shares were completed with effect from November 9, 2020, and the consummation of the capital increase was registered in the commercial register of the local court of Tostedt on November 3, 2020.

As a European company (*Societas Europaea, SE*) founded in Germany, the Company is governed by the provisions of the SE Regulation and by German law.

12.3. Domicile, Legal Form, Legislation, Registered Office, LEI

The Company is a European stock company (*Societas Europaea*), incorporated in Germany and governed by the laws of Germany. It is registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany under registration number HRB 208170.

The Company's registered office and business address is Niedersachsenstraße 19-21, 21255 Tostedt, (telephone: +49 (0) 4182 1047). The Company's website is www.friedrich-vorwerk.de. Information contained on the Company's website, or any website mentioned in the Prospectus, is not incorporated by reference into the Prospectus and does not form part of the Prospectus.

The Company's LEI is 529900NBM89YAM5ENI18.

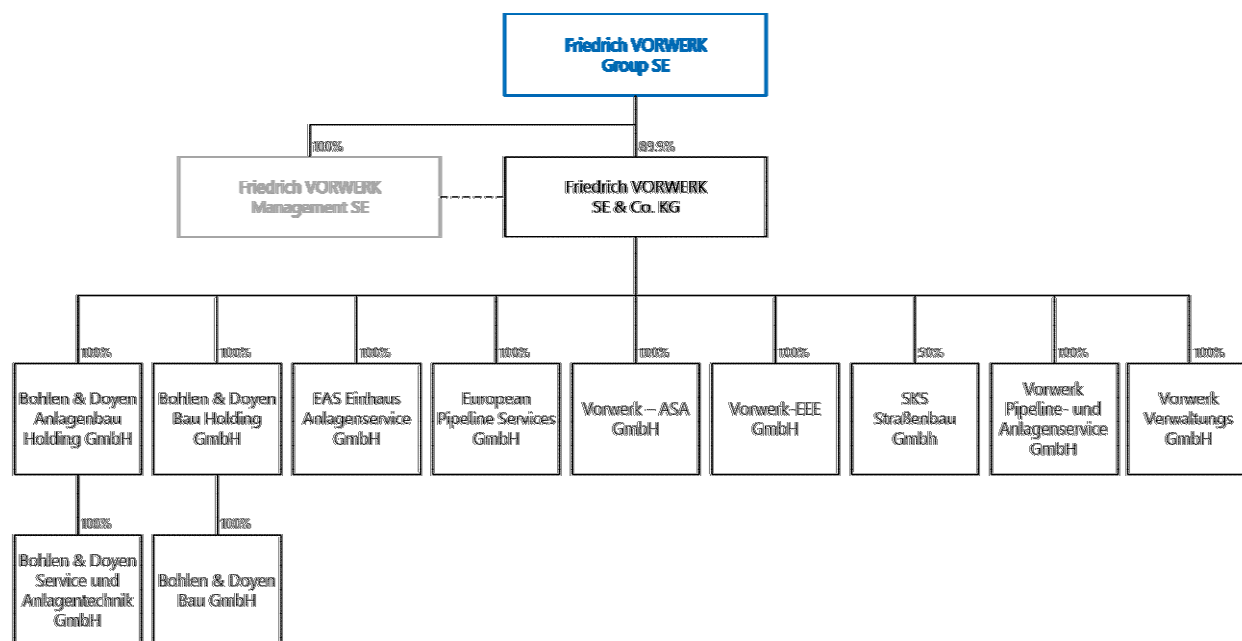
12.4. Fiscal Year, Duration, Corporate Purpose

The Company's fiscal year is the calendar year. The Company was established for an unlimited period of time.

Pursuant to Section 2 of the Articles of Association, the object of the Company is the management of own assets, in particular through the establishment, acquisition and development of entrepreneurially managed participations in companies in Germany and abroad (in particular, the participation as limited partner in Vorwerk KG) in order to achieve a long-term increase in the value of these companies. The Company is entitled to take all measures and engage in all transactions that are suitable for promoting the purpose of the Company. To this end, it may, in particular, establish branches in Germany and abroad, sell companies or shares in companies, and establish, acquire or participate in companies of the same or a related kind.

12.5. Group Structure and Information on Significant Subsidiaries

The Company is the parent company of the other entities of the Vorwerk Group. It performs the typical tasks of a holding company that does not conduct any business operations itself, such as the task of strategic company development. The business operations of the Vorwerk Group are conducted exclusively through its directly and indirectly owned subsidiaries. The following chart shows in simplified form the current structure of the Vorwerk Group as of the date of this Prospectus:



The following table presents an overview of our significant (in relation to the Company's equity or net income from an operating perspective) direct and indirect subsidiaries as of December 31, 2020:

Legal name	Registered seat	Direct or indirect Interest
Bohlen & Doyen Bau GmbH	Wiesmoor, Germany	89.925%
EAS Einhaus Anlagenservice GmbH.....	Geeste, Germany	89.925%
Friedrich Vorwerk SE & Co. KG	Tostedt, Germany	89.925%
Vorwerk – ASA GmbH, Herne.....	Herne, Germany	89.925%
Vorwerk Pipeline- und Anlagenservice GmbH.....	Petersberg, Germany	89.925%

For additional information on the Company's direct and indirect shareholdings as of December 31, 2020, see Note I.2 to the Audited Consolidated Financial Statements 2020. As of the date of this Prospectus, regarding the shareholdings held by the Company, there have been no changes since December 31, 2020.

12.6. Auditors

The Company appointed RSM, as (i) the auditor of its consolidated financial statements prepared in accordance with IFRS for the fiscal years ended December 31, 2020 and December 31 2019; (ii) the auditor of its unconsolidated financial statements prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) for the fiscal year ended December 31, 2020.

RSM issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*) on the financial statements mentioned above.

RSM is a member of the German Chamber of Public Accountants (*deutsche Wirtschaftsprüferkammer*), Rauchstrasse 26, 10787 Berlin, Germany.

12.7. Announcements, Paying Agent

In accordance with the Articles of Association, the announcements of the Company are exclusively published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law.

In accordance with the Prospectus Regulation, announcements in connection with the approval of the Prospectus or any supplements thereto will be published in the form of publication provided for in the Prospectus, in particular through publication on the Company's website (www.friedrich-vorwerk.de).

The paying agent is DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main. The mailing address of the paying agent is: Platz der Republik, 60325 Frankfurt am Main, Germany.

13. MAJOR SHAREHOLDERS

13.1. Major Shareholders of the Company

Prior to the implementation of the Offering, the entire share capital of, and all voting rights in, the Company, is held by the Selling Shareholders. The Selling Shareholders, *i.e.*, MBB SE and ALX Beteiligungsgesellschaft mbH, which represent all existing shareholders of the Company, intend to jointly place up to 6,000,000 shares (or 33.3%) in the Company from their holdings in the context of the Offering. In addition, the Selling Shareholders will provide (for the account of the Joint Bookrunners) up to 1,200,000 additional shares in the Company to cover possible over-allotments as well as the respective Greenshoe Shares.

The following table indicates the number of Secondary Shares and the number of Greenshoe Shares offered by each Selling Shareholder and presents an overview of the Company's shareholder structure before and after completion of the Offering ((i) without exercise of the Greenshoe Option and (ii) assuming full exercise of the Greenshoe Option, in each case assuming that all Offer Shares are sold in the Offering at the mid-point of the Price Range or EUR 48.50 per share in the Company and the issuance of all offered New Shares), based on the information provided to the Company by the Selling Shareholders as of the date of the Prospectus:

	Approximate Ownership in %		
	Prior to the Offering	Upon Completion of the Offering	
		No Exercise of the Greenshoe Option	Full Exercise of the Greenshoe Option
MBB SE	66.7	40.0	36.0
ALX Beteiligungsgesellschaft mbH ⁽¹⁾	33.3	20.0	18.0
Free float	-	40.0	46.0
Total	100.0	100.0	100.0

(1) The ultimate shareholder controlling ALX Beteiligungsgesellschaft mbH is the Company's CEO Torben Kleinfeldt.

13.2. Controlling Interest

As of the date of the Prospectus, each of MBB SE and ALX Beteiligungsgesellschaft mbH own more than 30% of the voting rights in the Company, and are, therefore, considered to individually hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Following completion of the Offering and exercise of the Greenshoe Option, assuming a placement of 2,000,000 New Shares and 6,000,000 Secondary Shares (at the low end of the Price Range), and full exercise of the Greenshoe Option, MBB SE is expected to still hold a controlling interest of approximately 36% of the Company's share capital.

In addition, MBB SE and ALX Beteiligungsgesellschaft mbH have entered into a voting agreement (the "**Voting Agreement**") on February 6, 2021, pursuant to which they have agreed to uniformly exercise their voting rights in the Company's shareholders' meeting, including with respect to the appointment of the members of the Supervisory Board, the distribution of dividends, and any proposed capital increases. The adoption of the resolution on how to exercise such voting rights in accordance pursuant to the Voting Agreement is based on the voting rights the parties to the Voting Agreement hold in the Company and are passed by a simple majority. Therefore, for as long MBB SE holds more voting rights in the Company than ALX Beteiligungsgesellschaft, it continues to exercise a controlling influence over the Company following the Offering. The voting rights agreement can be terminated with immediate effect by either party at any time, but in no case before the expiration of the lock-up period for the Company's management (please see "3.11.1. Lock-up of the Company"), and ends automatically if one party holds less than 10% of the shares in the Company or both parties together hold less than 30% of the Shares of the Company. As a consequence of this Voting Agreement, the respective shareholdings of MBB SE or ALX Beteiligungsgesellschaft mbH will be attributed to the respective other party for the purposes of establishing control due to an acting in concert within the meaning of Sections 29 para. 2 and 30 para. 2 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Assuming a placement of all New Shares and full exercise of the Greenshoe Option, MBB SE will continue to hold approximately 36%, and both MBB SE and ALX Beteiligungsgesellschaft mbH together will continue to hold at least approximately 54%, of the Company's share capital. As a result, MBB SE will alone and, for the duration of the Voting Agreement, together with ALX Beteiligungsgesellschaft mbH continue to hold a controlling interest in the Company pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Moreover, as of the date of this Prospectus, MBB SE and ALX Beteiligungsgesellschaft mbH form a "factual group" (*faktischer Konzern*) as the entities together hold more than 50% of the share capital as well as the voting rights in the Company pursuant to the Voting Agreement. As a consequence, the Company is required to prepare a dependency report (*Abhängigkeitsbericht*) on its relations with MBB SE and ALX Beteiligungsgesellschaft mbH. The dependency report for the financial year 2021 would include the following statement of the Management Board: "*We declare that the Company in relation to the legal transactions and measures from January 1, 2021 to December 31, 2021, included in the dependency report, based on the circumstances which were known to us at the time at which the legal transactions were carried out or the measures were taken or refrained from, received adequate compensation and has not been disadvantaged as a result of measures being taken or refrained from.*"

In the event that MBB SE's and ALX Beteiligungsgesellschaft mbH's shareholding and its voting rights in the Company will fall below 50% following the Offering, MBB SE and ALX Beteiligungsgesellschaft mbH will only continue to have a controlling interest in the Company if they have the *de facto* majority of votes during the shareholders' meetings of the Company due to the absence of free float shareholders during such meetings (*beherrschender Einfluss durch faktische Hauptversammlungsmehrheit*).

14. INFORMATION ON THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

14.1. Share Capital and Shares

As of the date of the Prospectus, the share capital of the Company amounts to EUR 18,000,000.00 and is divided into 18,000,000 ordinary bearer shares with no par value (*Stückaktien*), each representing a proportionate amount of the Company's share capital of EUR 1.00. The share capital is fully paid up.

As of the date of the Prospectus, the Company and its subsidiaries hold no shares of the Company.

Each of the Company's shares entitles the shareholder to one vote at the shareholders' meeting of the Company. There are no restrictions on voting rights and the shares carry full dividend entitlements.

14.2. Development of the Share Capital since Incorporation

The Company was incorporated as a shelf company in the form of a European company (*Societas Europaea*) by articles of association dated October 2, 2019 under the laws of Germany with a share capital of EUR 120,000.00. Its legal name was Youco M19-H-99 dual Vorrats-SE and it was registered with the local court (*Amtsgericht*) of Munich under docket number HRB 252158.

On July 14, 2020, the shareholders' meeting of the Company resolved to change the name of the Company to Friedrich Vorwerk Group SE and the registered seat of the Company from Munich to Tostedt. On September 25, 2020, the shareholders of the Company resolved to increase the Company's share capital from EUR 120,000.00 by EUR 3,000,000.00 to EUR 3,120,000.00 against contribution in kind of limited partnership shares (*Kommanditanteile*) in Friedrich Vorwerk KG (GmbH & Co.).

On February 10, 2021, the shareholders' meeting of the Company resolved to increase the Company's share capital from EUR 3,120,000.00 by EUR 14,880,000.00 to EUR 18,000,000.00 from the Company's reserves. The change was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany on February 22, 2021.

The following table sets out the increases in the Company's share capital from the founding of the Company to the date of the Prospectus:

Date of shareholder resolution to increase the share capital	Nominal amount of capital increase (in EUR)	Resulting issued share capital (in EUR)	Date of entry in the Commercial Register
September 25, 2020	3,000,000.00	3,120,000.00	November 3, 2020
February 10, 2021	14,880,000.00	18,000,000.00	February 22, 2021

14.3. Authorized Capital

As of the date of the Prospectus, the Company has an authorized capital pursuant to Section 4(4) of the Articles of Association in conjunction with Art. 5 of Council Regulation (EC) 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (the "**SE Regulation**") and Sections 202 et seqq. of the German Stock Corporation Act (*Aktiengesetz*). Accordingly, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of the Company on or before February 9, 2026, on one or more occasions, by in total up to EUR 9,000,000.00 through the issuance of up to 9,000,000 new ordinary bearer shares with no par value (*Stückaktien*) in return for contributions in cash or in kind (the "**Authorized Capital**"). As of the date of the Prospectus, the Company has not made use of the Authorized Capital. In doing so, the Management Board may determine that the new shares carry profit participation entitlements in a way that deviates from Section 60 para. 2 of the German Stock Corporation Act (*Aktiengesetz*).

The Management Board is furthermore authorized, in each case subject to the Supervisory Board's approval, to exclude the subscription rights of shareholders one or multiple times in each of the following cases:

- to the extent necessary in order to even out fractional amounts in the case of capital increases against cash contributions or contributions in kind;
- to the extent necessary to grant subscription rights to the new ordinary bearer shares with no par value (*Stückaktien*) to holders or creditors of option or conversion rights granted or obligations imposed by the Company or by its direct or indirect subsidiaries in the scope to which they would be entitled after exercising the option or conversion rights or after fulfilling the option or conversion obligation as shareholders;
- insofar as the capital increase takes place against contributions in kind, in particular in the case of acquisitions of companies, parts of companies, participations in companies, or other assets including rights and receivables, or in the context of mergers;
- for the purpose of issuing shares to employees of the Company and employees and members of the management of subordinated Vorwerk Group companies, with regard to employees also in compliance with the requirements of Section 204(3) of the German Stock Corporation Act (*Aktiengesetz*); or
- in the case of capital increases against cash contributions, if the subscription price for which the new shares are issued does not significantly fall short of the market price at the time of final determination of the amount for which the shares are issued, which should be as close as possible to the placement of the ordinary bearer shares with no par value (*Stückaktien*) (simplified exclusion of subscription rights in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)). The shares issued under exclusion of the subscription right in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) may not exceed 10% of the share capital existing at the time when the resolution is adopted at the shareholders' meeting or – if the value is lower – when the resolution regarding the initial exercise of authorized capital is adopted. This upper limit of 10% of capital stock shall be reduced by the prorated amount of the capital stock attributable to those shares issued or sold during the period of effectiveness of this authorization under the exclusion of the subscription right in direct or analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Furthermore, this limit is decreased by shares that have been or must be issued in order to satisfy option or conversion rights or obligations, if the option or conversion rights or obligations were granted or imposed under exclusion of the subscription rights in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) during the period of effectiveness of this authorization.

In accordance with Section 186(5) of the German Stock Corporation Act (*Aktiengesetz*), the new shares may also be subscribed by a credit institution or a company operating in accordance with Section 53(1) sentence 1 or Section 53b(1) sentence 1 or (7) of the German Banking Act (*Kreditwesengesetz*) with the obligation to offer them to the shareholders for subscription (indirect subscription right).

The Management Board is further authorized, subject to the approval of the Supervisory Board, to determine the further details regarding the capital increase and the conditions for the issuance of shares. The Supervisory Board is authorized to amend the wording of Section 4 of the Articles of Association following the performance, in whole or in part, of a capital increase under the Authorized Capital.

14.4. Conditional Capital

As of the date of the Prospectus, the Company has a conditional share capital pursuant to Section 4(5) of the Articles of Association in conjunction with Art. 5 of the SE Regulation and Sections 192 et seqq. of the German Stock Corporation Act (*Aktiengesetz*). Accordingly, the share capital of the Company may be increased, subject to certain conditions, by in total up to EUR 9,000,000.00 by issuing up to 9,000,000 new ordinary bearer shares with no par value (*Stückaktien*) (the "**Conditional Capital**").

The sole purpose of the Conditional Capital is to grant new shares to the holders or creditors of convertible or option bonds entitled to convert, or holders of convertible or option bonds required to convert, the bonds, participation rights, and/or participating bonds (or combinations of these instruments), which would be issued on

the basis of the authorization resolution of the shareholders' meeting of February 10, 2021 by the Company or by a subordinated Vorwerk Group company on or before February 9, 2026 in return for contributions in cash or in kind.

The conditional capital increase would be carried out only to the extent bonds are issued that are structured with option or conversion rights or with option or conversion obligations, only in accordance with the authorization resolution of the shareholders' meeting of February 10, 2021, and only insofar as option or conversion rights are exercised, or holders of bonds required to convert the bonds exercise an option to fulfill their obligation to convert the bonds, or the Company exercises an option to grant no-par value shares of the Company in full or in part in lieu of payment of the monetary amount that is due. The conditional capital increase would not be carried out if a cash settlement is granted or treasury shares, shares from authorized capital or shares from another listed company are used to settle the bonds. The new shares would be issued at the option or conversion price to be determined in each case in accordance with the authorization resolution described under "14.5. Authorization to Issue Convertible Bonds and Option Bonds".

The newly issued shares would participate in the profit of the Company from the beginning of the fiscal year in which they are created. To the extent permissible by law, the Management Board is entitled, subject to the approval of the Supervisory Board, to deviate from this provision and from Section 60(2) sentence 3 of the German Stock Corporation Act (*Aktiengesetz*) and to determine an entitlement to profit participation for a fiscal year that has already ended.

The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the remaining details for any such conditional capital increase. The Supervisory Board is authorized to amend the wording of Section 4 of the Articles of Association in accordance with the respective utilization of the Conditional Capital.

14.5. Authorization to Issue Convertible Bonds and Option Bonds

On February 24, 2021, the shareholders' meeting of the Company authorized the Management Board, subject to the approval of the Supervisory Board, to issue once or several times in return for a contribution in cash or in kind, on or before February 9, 2026, bearer or registered convertible bonds and/or option bonds, participation rights, or participating bonds, or combinations of these instruments (together referred to hereinafter as the "**bonds**") for an aggregate nominal amount of up to EUR 180 million, with or without a definite maturity date, and to impose option obligations on the holders or creditors (together referred to hereinafter as the "**holders**") of option bonds, option participation rights, or option participating bonds, or to grant conversion rights or impose conversion obligations, into registered shares of the Company with an aggregate proportionate amount of the share capital of the Company of up to EUR 9,000,000.00, in accordance with the respective bond conditions.

The bonds may be denominated in Euro or in the legal currency of an OECD country provided the equivalent amounts to those stated above in Euro are not exceeded. The bonds can also be issued by a subordinated Vorwerk Group company. In this case, the Management Board is authorized, subject to the approval of the Supervisory Board, to guarantee the bonds on behalf of the Company and to grant or impose on holders of the bonds conversion or option rights or obligations for new ordinary bearer shares with no-par value (*Stückaktien*) of the Company.

Shareholders are generally granted a subscription right to the bonds. If shareholders are not granted a direct subscription right, the statutory subscription right will be granted to shareholders in such a manner that the bonds will be issued to a credit institution, a financial institution, or a syndicate of such credit or financial institutions, subject to the obligation to offer the bonds to shareholders for subscription. If the bonds are issued by a subordinated Vorwerk Group company, the Company must ensure that the Company's shareholders are granted subscription rights in line with the above sentence.

However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right for fractional amounts resulting from the subscription ratio and also to exclude the shareholders' subscription right to the extent necessary to grant holders of bonds with option or conversion rights or with option or conversion obligations that have been issued by the Company or by a subordinated Vorwerk

Group company before a right to subscribe for new bonds to the extent to which they would be entitled to as shareholders after exercising their option or conversion rights or, as the case may be, after fulfillment of their option or conversion obligations.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in its entirety for bonds issued against cash payment and with option or conversion rights or option or conversion obligations, if the Management Board, after due examination, comes to the conclusion that the issue price of the bond is not significantly lower than the hypothetical market price of the bond as determined in accordance with generally accepted, especially financial mathematical, methods. However, this authorization to exclude the subscription right only applies to bonds with option or conversion rights or option or conversion obligations for shares with a proportionate amount of the capital stock which may not exceed 10% of the capital stock at the time when the authorization becomes effective or – if the value is lower – at the time when the authorization is exercised. The aforementioned 10%-limit includes shares that were issued or sold with an exclusion of subscription rights directly or indirectly pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) during the term of the authorization up to the time of issuance of bonds with option or conversion rights or option or conversion obligations with an exclusion of subscription rights pursuant to Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

If participation rights or participating bonds are issued without an option or conversion right or an option or conversion obligation, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in its entirety if these participation rights or participating bonds are structured in a way similar to bonds, *i.e.*, they do not provide for any shareholder rights in the Company nor do they grant any share in the liquidation proceeds, and the amount of interest rate is not calculated on the basis of net income, net retained profit, or dividends. In addition, the interest rate and the issue price of profit participation rights or participating bonds must correspond to the market conditions prevailing at the time of issuance.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right in its entirety for bonds issued against contribution in kind and with option or conversion rights or option or conversion obligations, in particular in the case of acquisitions of companies, parts of companies, participations in companies, or other assets including rights and receivables, or in the context of mergers.

In the event that option bonds are issued, one or more options are to be attached to each bond (such bond, a "**partial bond**") that entitle the holder to subscribe to ordinary bearer shares of the Company with no par value (*Stückaktien*) under the bond conditions that are determined by the Management Board. For option bonds issued by the Company and denominated in Euros, the bond conditions may stipulate that the option price can also be settled by the transfer of partial bonds and, as the case may be, an additional cash payment. The proportionate amount of the capital stock attributable to the shares to be issued for each partial bond may not exceed the nominal value of the partial bond. If there are fractional amounts of shares, it can be stipulated that these fractions can be added together, in accordance with the bond conditions, and in return for an additional cash payment, as the case may be, for the purpose of acquiring whole shares. The same applies when options are attached to a profit participation right or a participating bond.

In the case that convertible bonds are issued, the holders of the partial bonds are granted the right to convert their partial bonds into ordinary bearer shares of the Company with no par value (*Stückaktien*) in accordance with the convertible bond conditions as determined by the Management Board. The conversion ratio is determined by dividing the nominal value, or the partial bond's issue price if that is below the nominal value, by the conversion price that has been set for an ordinary bearer share of the Company with no par value (*Stückaktie*) and can be rounded up or down to a whole number. Furthermore, it can be stipulated that an additional cash payment has to be made for non-convertible fractional amounts and that these are to be consolidated or otherwise compensated. The convertible bond conditions may stipulate that the conversion ratio is variable and that the conversion price will be calculated (subject to the minimum price as determined below) within a predetermined range, depending on the performance of the Company's share during the term of the bond. The same shall apply for convertible participation rights and convertible participating bonds.

The option or conversion price, as determined for a share of the Company must be – except for cases in which an option or conversion obligation or a right to delivery of shares is provided for – equivalent to at least 80% of the volume-weighted average closing price of the Company's shares on the electronic trading system on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last ten trading days before the day of the Management Board's resolution on the issuance of the bond or – if a subscription right is granted – at least 80% of the volume-weighted average price of the Company's shares on the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the subscription period, except for the days during the subscription period that are required for the timely announcement of the option or conversion price pursuant to Section 186(2) sentence 2 of the German Stock Corporation Act (*Aktiengesetz*). Section 9(1) and Section 199 of the German Stock Corporation Act (*Aktiengesetz*) remain unaffected.

The bond conditions may also provide for a conversion obligation or option obligation at the end of the term (or at another point in time) or for the right of the Company to grant holders of the bonds, upon the final maturity of the bond to which option or conversion rights or obligations are attached (including maturity due to termination), in whole or in part, shares of the Company or shares of another listed company in lieu of payment of the cash amount due. In these cases, the option or conversion price can, under the more detailed terms of the bond conditions, be equivalent to the volume-weighted average closing price of the Company's shares on the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the ten trading days before or after the final maturity date, even if this average price is below the minimum price stated above. The proportionate amount of the capital stock of the Company's shares to be issued upon conversion or exercise of the option may not exceed the nominal value of the bonds. Section 9(1) and Section 199 of the German Stock Corporation Act (*Aktiengesetz*) remain unaffected.

The authorization also includes the possibility that the more detailed terms of the bond conditions can under certain circumstances provide for protection against dilution or adjustment mechanisms, provided that such adjustments are not already stipulated by law. Measures for protection against dilution and adjustment mechanisms can be provided for, in particular, if the Company's capital changes during the term of the bonds (for example due to a capital increase or decrease, or a share split), but also in connection with dividend payments, the issuance of further convertible or option bonds, as well as in case of extraordinary events that occur during the term of the bonds or the option bonds (for example, a change of control). The measures for protection against dilution and adjustment can be provided for, in particular, by granting subscription rights, changing the conversion or option price, and changing or granting cash components. Section 9(1) and Section 199 of the German Stock Corporation Act (*Aktiengesetz*) remain unaffected.

The bond conditions may also stipulate that the bond that carries option or conversion rights can be converted at the Company's discretion into new shares from authorized capital or into existing shares of the Company or into shares of another listed company, instead of being converted into new shares from conditional capital, or that the option right can be fulfilled by delivering such shares or that an option obligation can be settled with the delivery of such shares. The bond conditions can also stipulate that the Company has the right to pay a cash amount instead of granting new shares in the event of a conversion or the exercise of an option.

The Management Board is authorized, subject to the approval of the Supervisory Board, to further specify the details of the issuance and structure of the bonds, in particular with regard to the interest rate, issue price, term and denomination, provisions for protection against dilution, the option or conversion period, and, within the aforementioned framework, the option and conversion price, or to specify such details in agreement with the corporate bodies of the Vorwerk Group company issuing the option or convertible bond.

14.6. Authorization to Acquire Treasury Shares

As of the date of the Prospectus, the Company does not hold any treasury shares, nor does a third party hold any shares of the Company on behalf of, or for the account of, the Company.

The Company may not acquire its own shares unless authorized by the shareholders' meeting or in other very limited circumstances as set out in the German Stock Corporation Act (*Aktiengesetz*). Shareholders may not grant a share repurchase authorization that is valid for more than five years. The rules of the German Stock Corporation Act (*Aktiengesetz*) generally limit repurchases to 10% of the share capital and re-sales must generally be made

either on a stock exchange, in a manner that treats all shareholders equally or in accordance with the rules that apply to subscription rights relating to a capital increase.

The Company's shareholders' meeting held on February 10, 2021 authorized the Company to acquire for any purpose permissible, on or before February 9, 2026, treasury shares of up to a total maximum of 10% of the share capital existing at the time of the adoption of the resolution or – in the event that this amount is the lower one – when the authorization is exercised. The authorization can be exercised individually or jointly, by the Company or also by one of its subordinated Vorwerk Group companies, or by third parties on behalf of the Company or on behalf of its subordinated Vorwerk Group companies. The authorization to acquire and use own shares can be exercised in whole or in part, once or multiple times.

The shares acquired based on this authorization, together with other shares of the Company which are in the possession of the Company or are attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act (*Aktiengesetz*), may at no time exceed 10% of the Company's share capital. At the discretion of the Management Board, the acquisition may be conducted (i) through a stock exchange or (ii) by means of a public offer directed at all shareholders or a public solicitation to submit offers ("**Acquisition Offer**").

- If the acquisition is conducted through a stock exchange, the consideration paid by the Company for each of the Company's shares (not including incidental acquisition costs) cannot be more than 10% higher or lower than the price of the Company's shares, as determined by the opening auction on the trading date, in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
- If the acquisition is made via an Acquisition Offer, the purchase or sales price offered, or the maximum amount of the purchase or sales price range per share (without incidental purchasing costs), cannot be more than 10% higher or lower than the average of the closing auction price in the Xetra trading system (or a comparable successor system) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) over the three stock trading days before the date of the public announcement of the Acquisition Offer. If there is significant deviation from the relevant price after publication of a purchase offer, the offer can be adjusted. In this case, the average price over the three stock trading days before the date of publication of any adjustment will be the reference figure; the 10% limit must be applied to this amount. If the purchase offer is oversubscribed, or in the event of a request to submit a sales offer, if multiple identical offers are submitted but not all can be accepted, acceptance must be based on the ratio of shares tendered (tendering ratios). In addition, share numbers can be rounded down to avoid fractional shares.

The authorization can be exercised for any legally permissible purpose, particularly in pursuit of one of more of the purposes set out below, under exclusion of the subscription rights of the shareholders as set out below, and can be exercised individually or jointly, by the Company or a subordinated Vorwerk Group company, or by third parties on behalf of the Company or on behalf of any subordinated Vorwerk Group company:

- The Management Board is authorized, with the consent of the Supervisory Board, to sell shares acquired under the above authorization in another manner than via the stock exchange or by submitting an offer to all shareholders, provided that the sale is made for cash and at a price that is not significantly lower than the stock exchange price of the Company's shares at the time of sale (simplified exclusion of subscription rights under Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*)). The shares sold pursuant to this authorization cannot exceed 10% of the share capital, neither at the time the resolution was adopted at the annual shareholders' meeting nor when this authorization is exercised. The limit of 10% of capital stock shall be reduced by the pro-rated amount of the capital stock attributable to those shares issued during the period of effectiveness of this authorization under the exclusion of the subscription right in direct or analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*). Furthermore, this limit is reduced by shares that have been or can be issued in order to satisfy option or conversion rights, if the bonds were granted or imposed under exclusion of the subscription right in accordance with Section 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) during the period of effectiveness of this authorization.

- The Management Board is authorized, with the consent of the Supervisory Board, to transfer the shares acquired under the above authorization to third parties for contribution in kind, particularly for the acquisition of companies, parts of companies, or interests in companies or for business combinations, as well as for the acquisition of other assets, including rights and claims.
- The Management Board is authorized, with the consent of the Supervisory Board, to use the shares acquired under the above authorization to meet obligations under conversion or option rights or conversion obligations under convertible or option bonds issued by the Company or a subordinated Vorwerk Group company, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion or option obligation.
- The Management Board is authorized, with the consent of the Supervisory Board, to use the shares acquired under the above authorization in order to grant holders of convertible or option bonds issued by the Company or a subordinated Vorwerk Group company, or under participation rights or participation bonds (or combinations of these instruments) that grant a conversion right or option right or stipulate a conversion obligation or option obligation, shares in the amount they would be entitled to after exercising the conversion or option right, or to which they would have a subscription right after fulfillment of the conversion or option obligation.
- The Board of Management is authorized to offer the shares acquired under the above authorization to persons who are or were employed by the Company or one of its affiliated companies for purchase (employee shares).

In addition, in the event of a sale of shares with an offer to all shareholders, the Management Board can exclude the subscription right of the shareholders for fractional amounts with the consent of the Supervisory Board.

The Management Board is authorized to redeem the shares acquired under the above authorization without further resolution by the shareholders' meeting. The redemption will result in a reduction of capital in principle. By way of exception, the Management Board can stipulate that the share capital remains unchanged and instead the redemption will result in an increase of the remaining shares' proportion of the share capital under Section 8(3) of the German Stock Corporation Act (*Aktiengesetz*). In this case, the Management Board is authorized to change the definition of the number of shares in the Articles of Association.

In each case, the Management Board must inform the shareholders' meeting about the utilization of the above authorizations, in particular about the reasons for and the purpose of the acquisition of treasury shares, the number of treasury shares acquired and the amount of the share capital attributable to them, the portion of the share capital represented by them and the equivalent value of the shares.

14.7. General Provisions Governing a Liquidation of the Company

Besides liquidation as a result of insolvency proceedings, the Company may be liquidated by a resolution of the shareholders' meeting to dissolve the Company followed by a liquidation procedure. The resolution of the shareholders' meeting requires a simple majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the time the resolution is adopted. Pursuant to Art. 63 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), in the event of liquidation, the assets remaining after all Company liabilities have been satisfied are distributed among the shareholders in proportion to their interest in the Company's share capital. Certain restrictions, in particular restrictions for the benefit of creditors, must be observed.

14.8. General Provisions Governing Changes in the Share Capital

Pursuant to Art. 5, 57 and 59 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), an European company (*Societas Europaea*) requires a resolution of the shareholders' meeting to be adopted by a majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is adopted, to increase its share capital. However, Section 24 para. 1 of the Articles of Association provides that resolutions of the shareholders' meeting shall be adopted by a simple majority of the valid votes cast, unless a higher majority is required by mandatory law or by the Articles of Association. Insofar as

the law requires a capital majority in addition to a majority of votes for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented shall be sufficient to the extent legally permissible. Accordingly, certain capital measures that do not mandatorily require a majority of at least 75% of the share capital represented at the vote, such as capital increases from the Company's own funds, may be adopted by a simple majority.

Shareholders can also create authorized capital. This requires a resolution adopted by a majority of the votes cast, as well as a majority of at least 75% of the share capital represented when the resolution is adopted, and subject to the approval of the Supervisory Board, authorizing the Management Board to issue shares up to a certain amount within a maximum period of five years. The total amount of the authorized capital created by the shareholders' meeting may not exceed 50% of the share capital existing at the time of the resolution. For details on the Company's authorized capital see "14.3. *Authorized Capital*".

In addition, shareholders can create conditional capital by a resolution adopted by a majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is adopted, but only for the purposes of issuing (i) conversion or subscription rights to holders of convertible bonds, (ii) shares as consideration in a merger with another company, or (iii) subscription rights to employees or members of management of the Company or an affiliated company. The total amount of conditional capital may not exceed 10% of the share capital at the time the resolution is adopted in cases where it is created to issue shares to managers and employees, and may not exceed 50% in all other cases. For details on the Company's conditions capital see "14.4. *Conditional Capital*".

The shareholders' meeting may also resolve to decrease the share capital of the Company. Resolutions to decrease share capital require a simple majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is adopted.

14.9. General Provisions on Preemptive Rights

Pursuant to Art. 5 of the SE Regulation in conjunction with Section 186 of the German Stock Corporation Act (*Aktiengesetz*), all shareholders have preemptive rights, which correspond to their existing proportionate participation in the company's share capital and relate to the issuance of new shares issued in the context of a capital increase. The same applies with regard to convertible bonds, bonds with warrants, profit participation rights and participation bonds. In general, preemptive rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. The preemptive rights of the Company's shareholders may be excluded upon resolution by the shareholders' meeting with a majority of the votes cast and a concurrent majority of at least 75% of the share capital represented at the time of the resolution. Such an exclusion of preemptive rights further requires a report by the Management Board setting forth the reasons why the Company's interest in excluding the preemptive rights outweighs the interest of the shareholders in retaining their preemptive rights. Under the German Stock Corporation Act (*Aktiengesetz*), the exclusion of preemptive rights with respect to the issuance of new shares is deemed permissible, in particular if the Company increases its share capital against cash payment, with the amount of the capital increase not exceeding 10% of the existing share capital, and the issue price of the new shares being issued is not materially lower than the stock exchange price of the Company's existing shares.

14.10. Squeeze-Out of Minority Shareholders

Pursuant to Art. 5, 57 and 59 of the SE Regulation in conjunction with Sections 327a et seqq. of the German Stock Corporation Act (*Aktiengesetz*), which govern the so-called "squeeze-out" of minority shareholders or "squeeze-out under stock corporation law", the shareholders' meeting of an European company (*Societas Europaea*) may resolve, upon request of a shareholder holding at least 95% of the share capital (majority shareholder), that the shares held by the remaining minority shareholders be transferred to the majority shareholder against payment of an adequate cash compensation. The amount of cash compensation to be granted to the minority shareholders must reflect the situation of the company at the time the resolution is adopted by the shareholders' meeting. The true value of the company determines the amount of cash compensation, which is generally calculated using the capitalized earnings method (*Ertragswertmethode*). The minority shareholders are entitled to initiate valuation

proceedings (*Spruchverfahren*), in the course of which the fairness (*Angemessenheit*) of the cash compensation is reviewed.

If the majority shareholder of the European company (*Societas Europaea*) is itself a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*), or a European company (*Societas Europaea*), in each case having its registered office in Germany, a squeeze-out in accordance with Sections 327a et seqq. of the German Stock Corporation Act (*Aktiengesetz*) may be effectuated under certain circumstances and according to the German Transformation Act (*Umwandlungsgesetz*) providing for this so-called "squeeze-out under transformation law", in order to facilitate an upstream merger of the European company (*Societas Europaea*) into the majority shareholder.

Pursuant to Section 62 para. 5 sentence 1 of the German Transformation Act (*Umwandlungsgesetz*), the majority shareholder holding at least 90% of the share capital is able to request the shareholders' meeting to approve the squeeze-out within three months of the conclusion of the merger agreement. The procedure for the squeeze-out is essentially identical to the squeeze-out under stock corporation law described above, including the minority shareholders' right to have the fairness (*Angemessenheit*) of the cash compensation reviewed.

In addition, according to Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), providing for a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of the target company (as defined in the German Securities Acquisition and Takeover Act) after a takeover or mandatory public offer, may within three months of the expiry of the deadline for acceptance of the offer, request the transfer of the remaining voting shares to it by court order against payment of an adequate compensation. A resolution adopted by the shareholders' meeting is not required. To this end, the compensation guaranteed as part of the takeover or mandatory public offer is deemed adequate if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital affected by the offering. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer; a cash alternative must be offered in any event.

Furthermore, according to Section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), the shareholders of a target company who have not accepted the offering can accept it within a further three months after the acceptance period of the takeover or mandatory public offer has expired ("sell-out"), if the offeror has the right to file an application for the transfer of the outstanding voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been completed.

Pursuant to Art. 9 para. 1 lit. c) (ii) of the SE Regulation in conjunction with Sections 319 et seqq. of the German Stock Corporation Act (*Aktiengesetz*), the shareholders' meeting of an European company (*Societas Europaea*) may resolve the integration (*Eingliederung*) of a company, provided that the future principal company (*Hauptgesellschaft*) is a German stock corporation (*Aktiengesellschaft*) and holds at least 95% of the shares of the company to be integrated. The shareholders of the integrated company are entitled to an adequate compensation that must generally be granted in the form of shares of the principal company. Pursuant to Section 305 para. 3 sentence 1 of the German Stock Corporation Act (*AktG*), the amount of compensation is to be determined by the so-called merger value ratio (*Verschmelzungswertrelation*) between the companies, *i.e.*, the exchange ratio, which would have to be considered adequate in the event of a merger of the two companies. If the principal company is a controlled company (*i.e.*, a legally separate company over which another company is able to exert, directly or indirectly, a controlling influence), the shareholders of the integrated company may also request an adequate cash compensation instead of compensation in form of shares of the principal company.

14.11. Mandatory Takeover Bids

Upon admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is subject to the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), according to which every person

whose share of voting rights reaches or exceeds 30% of the voting shares of the Company must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the internet and through electronic media for disseminating financial information. Subsequently, such person must submit a mandatory public tender offer to all shareholders of the Company, unless an exemption from this obligation has been granted by BaFin. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains provisions relating to the attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30% threshold or fails to submit a mandatory public tender offer, such person is barred from exercising shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) for the duration of non-compliance. In addition, a fine may be imposed in connection with such non-compliance.

14.12. Disclosure Requirements for Shareholdings and Other Instruments

Upon admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Pursuant to Section 33 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), anyone who acquires, sells, or whose shareholding in any other way reaches, exceeds, or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50%, or 75% of the voting rights in an issuer whose home country (*Herkunftsstaat*) is Germany and whose shares are admitted to trading on an organized market must without undue delay, and no later than within four trading days of such occurrence, notify the issuer and BaFin at the same time. The notice period commences at the time that the person or entity subject to the notification requirement (*Meldepflichtiger*) has knowledge or, in consideration of the circumstances, should have had knowledge that his or her voting rights reach, exceed or fall below the aforementioned thresholds. The German Securities Trading Act (*Wertpapierhandelsgesetz*) contains a conclusive presumption that the person or entity subject to the notification requirement (*Meldepflichtiger*) has knowledge two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim of transfer related to such shares pursuant to Section 33 paragraph 3 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). In the case that a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change, or upon the publication of the revised total number of voting rights by the Company, at the latest. The notice period might commence at a later time only in case the voting rights reach, exceed, or fall below the thresholds as a result of a change affecting all voting rights. In such cases the notification requirement is set off by the establishment of an obligation to transfer such ownership immediately (*ohne zeitliche Verzögerung*).

For purposes of the notification requirements, Section 34 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules of attribution (*Zurechnung*) regarding voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares held by a subsidiary (as defined in Section 35 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)) are attributed to the parent company or shares held by a third company for the account of another company are attributed to the latter. Furthermore, any kind of cooperation and/or acting in concert among shareholders that is intended to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights. Although such cooperation and/or acting in concert does not necessarily have to specifically concern the exercise of voting rights, coordinating in individual cases is not considered as acting in concert and will not trigger the attribution of voting rights.

Section 38 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) provides for similar obligations to notify the Company and BaFin for reaching, exceeding, or falling below the abovementioned thresholds (except for the 3% threshold) that apply to direct and indirect holders of certain instruments other than shares, that grant upon maturity an unconditional right to acquire already issued voting shares of the Company, a discretionary right to acquire such shares, or instruments that refer to such shares and have a similar economic effect. Pursuant to Section 38(2) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) such instruments include, among other things, transferable securities, options, futures, swaps, forward rate agreements and contracts for difference. The number of voting rights relevant for the notification requirement will generally be calculated by reference to the full nominal amount of shares underlying the instrument except where the instrument provides

exclusively for a cash settlement. Details for such calculations are laid down in the Commission Delegated Regulation (EU) 2015/761 supplementing Directive 2004/109/EC with regard to certain regulatory technical standards on major holdings.

If any of the aforementioned reporting obligations are triggered, the notifying person or entity is required to complete the notification form set forth as an annex to the German Securities Trading Reporting Regulation (*Wertpapierhandelsanzeigeverordnung*). The notice can be submitted either in German or in English via an electronic portal, in writing, or via fax. The notice must include, irrespective of the event triggering the notification: (i) the number of voting rights and the share in total voting rights, (ii) the number of financial instruments and the share in total financial instruments, (iii) the aggregate number of voting rights and financial instruments and the share in total voting rights and financial instruments, in each case held by or attributed to the notifying person or entity. In addition, the notice must include certain attribution details, such as, among other things, the first name and surname of the notifying individual or the legal name, seat and state of a notifying entity, the event triggering the notification, the date on which the threshold was reached or crossed and, if voting rights or instruments are attributed.

As a domestic issuer, the Company must publish such notices without undue delay, but no later than within three trading days after their receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the EU and the non-EU parties to the agreement on the EEA (so-called "*Medienbündel*"). The Company must also transmit the notice to BaFin, specifying the time of publication and the media used, as well as to the German Company Register (*Unternehmensregister*) for storage.

There are certain exceptions to the notification requirements. For example, a company is exempt from its notification obligation if its parent company, or if its parent company is itself a subsidiary, the parent's parent company, has filed a group notification pursuant to Section 37(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Furthermore, pursuant to Section 36(1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*), shares or financial instruments held for trading by a credit institution or a credit securities services company with a registered seat in the EU, or in a non-Member State that is a party to the Agreement in the EEA, are not taken into account for determining the notification obligation or proportion of voting rights held, provided it is ensured that the voting rights held by them are not exercised, and that they amount to no more than 5% of the voting shares, or do not grant the right to purchase more than 5% of the voting shares, or do not have a similar economic effect.

The notification requirement under Section 33 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) applies *mutatis mutandis* to holders of voting rights within the meaning of Section 33 and instruments within the meaning of Section 38. Notifiable holdings pursuant to Sections 33 and 38 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) must be aggregated, leading to a notification obligation for an aggregate total of voting rights above a 5% threshold pursuant to Section 39 held by a single issuer.

Furthermore, pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*) a person obliged to notify (*Meldepflichtiger*) who reaches or exceeds the threshold of 10% of the voting rights, or a higher threshold, is obligated to notify the issuer within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. An issuer may stipulate in its articles of association that the aforementioned disclosure requirement does not apply. In calculating whether the 10% threshold has been reached or exceeded, the attribution rules mentioned above apply.

In case the disclosure requirements described above are not met, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are – subject to certain exceptions – suspended for the duration of non-compliance. If the failure to comply with the disclosure requirements specifically relates to the share of voting rights and is the result of a willful or grossly negligent conduct, the suspension period with regard to voting rights is extended by six months after the person obliged to notify (*Meldepflichtiger*) files the required notification. In addition, a fine may be imposed if a required notification is not at all, incorrectly or incompletely made, or not made in the right manner or in a timely fashion. BaFin has also the right to publish decisions on sanctions and measures with regard to violations of the disclosure obligations and persons responsible for such violations.

14.13. Disclosure of Transactions of Persons Discharging Managerial Responsibilities

Pursuant to Art. 19 of the Market Abuse Regulation, persons discharging managerial responsibilities within the meaning of Art. 3 para. 1 no. 25 Market Abuse Regulation ("**Executives**" and, with regards to the Company, members of the Management Board and of the Supervisory Board) shall notify the Company and BaFin of every transaction conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called "managers' transactions"). The same applies to persons closely associated with Executives within the meaning of Art. 3 para. 1 no. 26 Market Abuse Regulation. Transactions that must be notified shall also include, among other things, the pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of an Executive or a closely associated person, including where discretion is exercised and transactions made under a life insurance policy. The notification requirement shall apply to any subsequent transaction once a total amount of EUR 20,000 has been reached within a calendar year. Notification shall be made promptly and no later than three business days after the date of the transaction.

For the purposes of the Market Abuse Regulation, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Executive means a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child, as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust, or partnership, the managerial responsibilities of which are discharged by an Executive of the Company or by another person closely associated with him. Finally, the term includes a legal person, trust, or partnership, which is directly or indirectly controlled by an Executive of the Company or by another person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company shall ensure that the information of which it is notified is promptly made public. In any case, it shall be made public no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with European Securities and Markets Authority's implementing technical standards. Furthermore, according to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company shall without undue delay transmit the information to the German Company Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

Pursuant to Art. 19 para. 11 of the Market Abuse Regulation, during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading, or (ii) national law, Executives are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to them.

14.14. Post-Admission Disclosure Requirements/EU Short Selling Regulation

As a result of the intended admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will for the first time be subject to the legal disclosure requirements for stock corporations listed in Germany under the German Stock Corporation Act (*Aktiengesetz*). These include, in particular, the disclosure of an audited report of the remuneration paid to members of the Management Board and Supervisory Board (*Vergütungsbericht*) and the disclosure of transactions with related parties, which requirements were added to the German Stock Corporation Act (*Aktiengesetz*) with the Act on the Implementation of the Shareholder Rights Directive II (*ARUG II*) based on the Directive (EU) 2017/828 (Shareholder Rights Directive II). Furthermore, the Company will be subject to the disclosure requirements under the German Securities Trading Act (*Wertpapierhandelsgesetz*) and under the Market Abuse Regulation, including, among others, periodic financial reporting (disclosure of annual and half-year financial reports), regular calls with securities and industry analysts and other required disclosures. The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter*

Wertpapierbörse), as amended from time to time, to publish quarterly statements (unless the Company prepares quarterly financial reports), as the Company's shares are intended to be listed on the sub-segment with additional post-admission obligations (Prime Standard) of the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to Art. 17 of the Market Abuse Regulation, the Company shall inform the public as soon as possible of inside information (as defined below) which directly concerns the Company (so called ad-hoc obligations). In such case the Company shall also, prior to informing the public, inform BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or been included in such trading, and, after publication, without undue delay transmit the information to the German Company Register (*Unternehmensregister*).

Inside information comprises, among others, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

The Company may, on its own responsibility, delay disclosure of inside information if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public, and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company shall also inform BaFin that disclosure of the information was delayed and shall provide a written explanation of how the conditions set out in the preceding sentence were met, immediately after the inside information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company shall disclose such inside information to the public as soon as possible.

15. GOVERNING BODIES

15.1. Overview

The governing bodies of the Company are the Management Board, the Supervisory Board, and the shareholders' meeting. The Company has a two-tier management and control system, consisting of the Management Board and the Supervisory Board. The responsibilities and powers of the Management Board, the Supervisory Board and the shareholders' meeting are determined by the SE Regulation, the German Act on the SE-Implementation (*SE-Ausführungsgesetz*), the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association (*Satzung*) and the rules of procedure of both the Supervisory Board and the Management Board.

The Management Board conducts the business of the Company in accordance with relevant applicable laws, the Articles of Association of the Company and the rules of procedure of the Management Board and the Supervisory Board. The Management Board represents the Company when dealing with third parties. The members of the Management Board are appointed by the Supervisory Board and the Supervisory Board is also entitled to remove any members of the Management Board under certain circumstances. The Supervisory Board determines the exact number of members of the Management Board. Pursuant to the Articles of Association, the Management Board consists of one or more members. Simultaneous management and supervisory board membership in a European company (SE) is not permitted under the SE Regulation; however, simultaneous membership of a member of the supervisory board taking a vacant seat on the management board of the same European company (SE) is permissible in exceptional cases and for an interim period. During this period, such individual may not perform any duties for the supervisory board. Such stand-in arrangement is limited in time for a maximum period of one year if the European company (SE) is domiciled in Germany.

The Management Board must ensure that appropriate risk management and risk control mechanisms are established and maintained within the Company, its subsidiaries and affiliates. This is to ensure that developments endangering the existence of the Company can be identified at an early stage. The Management Board is also required to report any material issues in relation to business transactions and any material developments regarding the business to the Supervisory Board. It has to report on the course of business, in particular revenue, and the situation of the Company and its subsidiaries and joint ventures at least on a quarterly basis. The Management Board is further required to report any planned business policies and other fundamental issues concerning corporate planning (including financial, investment and staff planning) to the Supervisory Board once a year; material deviations of the actual developments from previously reported goals, including the reasons for any such deviations, must also be addressed. The chairman of the Supervisory Board shall be in regular contact with the Management Board, in particular, with the chairman of the Management Board, in order to discuss with the chairman of the Management Board issues of strategy, business development, the risk situation, risk management and compliance. In the meeting of the Supervisory Board in which the annual financial statements of the Company are discussed, the Management Board must also report on the profitability of the Company, especially in relation to return on equity. As a general rule, the Management Board is required to report in a timely manner events which could have a material effect on the Company and transactions which could be of material importance, especially in relation to the Company's profitability or liquidity. This is to ensure that the Supervisory Board is able to assess such transactions prior to any action being taken. The Management Board is required to report any other important events to the chairman of the Supervisory Board without undue delay; this includes events at any affiliated company of which the Management Board has become aware and which could potentially have a material impact on the Company. Moreover, any member of the Supervisory Board may at any time demand a report to the Supervisory Board about the affairs of the Company. In addition, the Management Board and the Supervisory Board shall, according to Art. 9 Abs. 1 lit. c ii) SE-Regulation and sec. 161 AktG, once the Company becomes a listed company, report annually in the annual report on the corporate governance of the Company and explain any deviations from the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), which was adopted by a governmental commission on the German Corporate Governance Code on February 26, 2002 and currently applies in the version dated December 16, 2019 (the "Code").

As set out in Article 40 of the SE Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board advises and oversees the Management Board's administration of the Company, but is not itself authorized to manage the Company.

The Articles of Association of the Company may designate the types of transactions that may only be made with the approval of the Supervisory Board. In addition, the Supervisory Board may itself require that certain types of transactions are subject to its consent. Matters subject to the prior consent of the Supervisory Board or a committee of the Supervisory Board pursuant to the internal rules of procedure of the Management Board and the Supervisory Board include, among other things:

- preparation and amendment of an annual budget of the Company including its subsidiaries (sales, investment, liquidity and earnings planning);
- sale or closure of the Company as a whole and of parts thereof; establishment, acquisition and sale of companies or shares in companies as well as investments in other companies; establishment and dissolution of branches;
- conclusion, cancellation or amendment of inter-company agreements and agreements under the Reorganization Act (*Umwandlungsgesetz*) as well as incorporations, except in the case of agreements of a project joint venture (ARGE);
- adoption of resolutions on capital increases or reductions and the appropriation of profits in subsidiaries, appointment of managing directors in subsidiaries;
- conclusion and amendment of agreements on dormant partner's interests (*stille Beteiligung*), participating loans (*partiarische Darlehen*) or other agreements providing for participation in the Company's results;
- conclusion, amendment and termination of joint venture and strategically important cooperation agreements, insofar as these do not take place in the course of ordinary business operations;
- acquisition, encumbrance and sale of buildings or land with a size of more than 1,000 m² as well as of heritable building rights or other fixed assets with a book value of EUR 250,000.00 in individual cases;
- investments, maintenance and construction measures that in individual cases exceed the amount of EUR 250,000.00 net, or the assumption of rental or leasing obligations whose present value cumulatively exceeds the limit of EUR 250,000.00 for the fixed term of the respective contract, conclusion of continuing obligations with a term of more than one year and/or annual costs of more than EUR 250,000.00, in each case insofar as they have not already been approved in the business plan;
- granting loans (with the exception of loans to employees and supplier credits and deferral agreements in the ordinary course of business) or providing security for third parties, in particular assuming liabilities and guarantees of any kind, including letters of comfort, with the exception of guarantees and advance payment guarantees, as well as customer order-related liability arrangements, in each case with the exception of loans to or assumption of liability for Vorwerk Group companies;
- incurrence of new loans, bonds and debentures with a volume of more than EUR 1,000,000.00 or to extend lines of credit (current account lines) and to grant collateral for such financial liabilities;
- entering into derivative financial transactions, *e.g.*, financial futures, swap or hedging transactions, even if they serve to hedge the Company's real economic operating transactions;
- agreement on a general pension scheme for the entire company or parts of the Company, entry into and exit from collective agreements or other measures that result in a collective agreement;
- appointment and dismissal of authorized signatories and granting of general powers of attorney;
- conclusion, cancellation or amendment of contracts with (i) relatives or persons related by marriage within the meaning of Section 15 of the German Fiscal Code (AO) of a member of the Management Board or of a company in which the member of the Management Board directly or indirectly holds an interest of at least 5%, (ii) members of the Supervisory Board, or (ii) shareholders holding an interest of more than 3% in the Company;

- conclusion of D&O insurance policies; and
- other transactions that significantly change the net assets, financial position, results of operations or risk exposure of the Company or the enterprise concerned.

The Management Board is also required to obtain the prior approval of the Supervisory Board to certain transactions concluded by subsidiaries of the Company if such transactions require approval of the Supervisory Board had they been taken by the Company.

The members of the Management Board and the Supervisory Board owe fiduciary duties to the Company, *i.e.*, a duty of loyalty, a duty of legality and a duty of care. The members of these corporate bodies must perform their duties taking into account a broad range of interests, especially those pertaining to the Company, its shareholders, employees, and creditors. The shareholders' right to equal treatment and equal access to information must also be taken into account. If members of the Management Board or the Supervisory Board breach their duties, they may be liable individually, or jointly and severally with other members of the Management Board or the Supervisory Board, as the case may be, to the Company for compensatory damages.

Under applicable laws, a shareholder generally cannot take direct action against a member of the management board or the supervisory board of a European company (*Societas Europaea*) with its registered office in Germany if the shareholder suspects that such member or members have violated their duties towards the company. Thus, under German law, generally only the Company has the right to pursue claims for damages against a member of the Management Board or the Supervisory Board. The Management Board represents the Company in relation to claims brought against members of the Supervisory Board and, in turn, the Supervisory Board represents the Company in relation to claims brought against members of the Management Board. Pursuant to a decision by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is generally required to assert damage claims that are likely to be successful against members of the Management Board, unless significant interests of the Company either take precedence over or are of equal importance to any such claim.

If the governing body authorized to represent the Company decides against pursuing a claim, claims for damages can be pursued by the shareholders following a resolution (by a simple majority of the votes cast) by the shareholders' meeting and which must, ultimately, be asserted by the Management Board or the Supervisory Board, respectively. The shareholders' meeting can also appoint a special representative (*besonderer Vertreter*) to pursue such claims. Based on the resolution of the shareholders' meeting to claim damages, shareholders with a combined shareholding of 10% or more of the entire share capital or holders of shares with an aggregate nominal value of EUR 1 million may also apply to the competent court for the appointment of a special representative, such decision being subject to the court's discretion.

Furthermore, the shareholders' meeting can, by a simple majority resolution, appoint a special auditor (*Sonderprüfer*) to review any measures, in particular in relation to management. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least EUR 100,000 if the facts justify the suspicion of irregularities or that gross violations of the law or the Articles of Association have been committed. If the shareholders' meeting appoints a special auditor, the court must appoint a different special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least EUR 100,000 if this is deemed necessary with respect to the person who has been appointed as special auditor. Shareholders and shareholder associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the German Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third-party representation, request a special audit, appoint a special auditor, demand that a shareholders' meeting is convened, or exercise their voting rights in a shareholders' meeting. If there is evidence leading to the strong suspicion that the Company has incurred damages through irregularities or gross violations of the law or the Articles of Association, shareholders whose shareholding constitutes at least 1% of the share capital or who hold shares with an aggregate nominal value of at least EUR 100,000 may request with a court to be allowed to bring a claim for damages of the Company in their own name but on behalf of the Company against members of governing bodies, subject to certain procedural requirements. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for compensation against members of the Management Board or the Supervisory Board three years after the claim has arisen and only if (a) the shareholders resolve to do so in a shareholders' meeting by a simple majority resolution and (b) a quorum of the shareholders, together holding shares which represent at least 10% of the Company's share capital, does not object to such resolution in the minutes of the Company's shareholder meeting.

Under German law, individual shareholders and any other persons are prohibited from intentionally using their influence within the Company to cause a member of the Management Board or the Supervisory Board to engage in conduct that could be damaging to the Company. A shareholder controlling the Company may not use its influence to persuade the Company to act against the Company's interests unless there is a domination agreement (*Beherrschungsvertrag*) in place between such shareholder and the Company and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Anyone intentionally exercising influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or a general representative (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is required to compensate the Company and its shareholders for any damages resulting from such behavior. In addition, in this context, the members of the Management Board and the Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of care towards the Company.

15.2. Management Board

15.2.1 General

Section 6 para. 1 of the Articles of Association of the Company specifies that the Management Board shall consist of one or more members. The specific number of members of the Management Board is determined by the Supervisory Board. The Supervisory Board appoints the members of the Management Board for a maximum period of six years and may reappoint members. The Supervisory Board may revoke such appointment prior to the expiration of the term of office for cause (*wichtiger Grund*), for example, a gross breach of duties or if the shareholders' meeting expresses a lack of confidence in the respective member of the Management Board. Pursuant to Article 9 para 1 lit. c ii) of the SE Regulation in conjunction with Section 84 para 2 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board may appoint a member of the Management Board as chairman of the Management Board and another member as deputy chairman. Pursuant to the rules of procedure of the Management Board adopted by the Supervisory Board on February 6, 2021, the Management Board has a quorum if at least half of the members, including the chairman, are present or, in case of absence, participate in the voting. A Management Board consisting of two persons shall only constitute a quorum if all members of the Management Board participate in the adoption of the resolution. Members who participate by telephone or video conference or other electronic means of communication are also considered to be participating. The Management Board shall only discuss and take decisions pertaining to the area of responsibility of an absent member with the consent of such member, except in cases of emergency. The Management Board adopts resolutions unanimously wherever possible. If this is not possible, a resolution shall be adopted by simple majority of the votes cast unless otherwise provided for by law or by the Articles of Association or by the rules of procedure of the Management Board. In case of a tie, the chairman of the Management Board shall have a casting vote if the Management Board has more than two members.

Pursuant to Section 8 of the Articles of Association, when dealing with third parties, the Company is represented by one member of the Management Board acting solely. Each member of the Management Board is released by the Supervisory Board from the restrictions of entering into a legal transaction in the name of the principal with himself as an agent of a third party according to Section 181, 2nd alternative of the German Civil Code (*Bürgerliches Gesetzbuch*), unless the law specifies otherwise; Section 112 of the German Stock Corporation Act (*Aktiengesetz*) remains unaffected.

15.2.2 Current Members of the Management Board

The following table lists the current members of the Management Board, their age, the date on which they were first appointed, the date on which their current appointment is scheduled to end, their position as well as their

other positions in administrative, management and supervisory bodies and as partners in partnerships outside the Vorwerk Group during the past five years; unless stated otherwise below, these memberships are current:

Name	Age	First appointed	Appointed until	Position	Other memberships in administrative, management or supervisory bodies or as partners in partnerships in the previous five years
Torben Kleinfeldt	48	July 6, 2020	2026	Chief Executive Officer (CEO)	<ul style="list-style-type: none"> Managing director of ALX Beteiligungsgesellschaft mbH (since 2018) Managing director of KLEH Immobilienverwaltung GmbH (since 2018)
Tim Hameister	30	November 12, 2020	2023	Chief Financial Officer (CFO)	--

The members of the Management Board may be contacted at the Company's business address at Niedersachsenstraße 19-12, 21255 Tostedt, Germany.

Below are summaries of the curricula vitae of the current members of the Management Board, with indications of their principal activities outside the Company to the extent that those are significant with respect to the Company. For more information, see also "15.4. Certain Information Regarding the Members of the Management Board and the Supervisory Board, Conflicts of Interest".

15.2.2.1 Torben Kleinfeldt

Torben Kleinfeldt (age 48). Dipl. Ing. Dipl. Kaufm. Torben Kleinfeldt has held a number of different positions at Friedrich Vorwerk SE & Co. KG over the last 18 years. After completing his degree in Civil Engineering and Business Economics, he worked for a tunneling utility company before joining Vorwerk Group. Mr. Kleinfeldt was appointed to the Management Board in 2006. As CEO of the Company, he is responsible for sales, procurement, engineering, strategy & internationalization and investor relations.

15.2.2.2 Tim Hameister

Tim Hameister (age 30). Master of Financial Management and Accounting (M.Sc.). In 2015, Mr. Hameister joined Encavis AG (formerly known as Capital Stage AG), completed his master's degree and worked in the group accounting department, for which he was most recently responsible. In 2018, Mr. Hameister joined MBB SE, where he was in charge of the finance department. Since 2020, Mr. Hameister is responsible for financing, controlling and human resources as CFO of the Company.

15.2.3 Remuneration and Benefits; Share Ownership

15.2.3.1 Remuneration in the Fiscal Year Ended December 31, 2020

The Company has not disclosed the individual compensation for each member of the Management Board. In the fiscal year ended December 31, 2020, the total remuneration paid by the Vorwerk Group to the members of the Management Board amounted to EUR 486 thousand in the aggregate.

15.2.3.2 Remuneration System and Benefits

The current remuneration of the members of the Management Board is based on their service agreements that became effective upon their appointment as members of the Management Board. In order to assess whether the specific total remuneration of the members of the Management Board is in line with usual levels compared to other enterprises, the Supervisory Board has determined certain companies listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) that are comparable as to size, country and field of business, as appropriate peer group.

Our CEO receives a fixed compensation without a variable component due to his indirect shareholding in the Company (see "13. Major Shareholders" for further details). Our CFO also receives a fixed compensation and may be awarded a special compensation for extraordinary performance at the discretion of the Supervisory Board, and, in addition, will be granted a bonus for the successful placement of the New Shares, which is based on the pre-money valuation of the Company upon pricing of the Offering, the number of New Shares placed in the Offering and the free-float post Offering (please see "3.15 Interests of Parties Participating in the Offering"). The placement bonus will be partially paid out concurrently with pricing and allocation of the Offering. The CFO will be obligated to purchase 6,000 Shares from such amount, which will be allocated by means of the Preferential Allocation, with the remainder of the placement bonus being paid out in cash subject to the conditions that he holds the shares so allocated for a minimum duration of twelve months and that he remains in the position as member of the Management Board upon expiry of such period. For further details on the Preferential Allocation, see "3.7. Preferential Allocation".

15.2.3.3 Shareholdings of the Members of the Management Board in the Company

Our CEO Torben Kleinfeldt is managing director and controlling shareholder of ALX Beteiligungsgesellschaft mbH, which owns 33.3% of the share capital of the Company as of the date of the Prospectus and not giving effect to the Offering. Our CFO Tim Hameister intends to purchase 6,000 Offer Shares at the Offer Price and he will receive a preferential allocation in connection with the Offering (for further details, see "3.7. Preferential Allocation"). Other than this indirect shareholding of our CEO, no member of the Management Board directly or indirectly holds any shares in the Company.

Given that all members of the Management Board and the CEO in particular will hold either directly or indirectly a substantial number of Shares, the Supervisory Board believes that they are sufficiently incentivized to work in the interest of the Company and its shareholders. Following the Listing, the Management Board and Supervisory Board will however examine whether the current remuneration shall be supplemented by a component which depends on the development of the Company's stock market value, taking into account the Company's objectives, or whether changes should be made to the remuneration structure in line with the AktG or the German Corporate Governance Code, as amended on December 16, 2019 (the "Code").

15.3. Supervisory Board

15.3.1 General

In accordance with Section 10 para. 1 of the Articles of Association and Articles 40 para. 3 and 9 para. 1 lit. c (i) of the SE Regulation together with Section 17 of the SE Implementation Act (*SE-Ausführungsgesetz*) and Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board consists of three members, who are elected by the shareholders' meeting in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*). All of the members of the Supervisory Board represent the shareholders. Pursuant to Article 9 para. 1 lit. c (ii) of the SE Regulation in conjunction with Section 100 para. 5 of the German Stock Corporation Act (*Aktiengesetz*), the members of the Supervisory Board as a whole must be familiar with the industry in which the Company conducts its business.

For the members of the Supervisory Board, who are to be elected by the shareholders' meeting, the shareholders' meeting may, at the time of their election, appoint substitute members who shall replace shareholder members of the Supervisory Board leaving office before the end of their term or whose election has been successfully contested. The term of office of such substitute member shall terminate at the end of the Company's shareholders' meeting in which a successor is elected and at the latest at the end of the term of office of the leaving member. If the substitute member whose term of office has terminated due to the election of a successor was appointed as substitute member for several members of the Supervisory Board, its position as substitute member shall revive. Re-election of members of the Supervisory Board is possible.

The term of office of the members of the initial Supervisory Board will expire at the end of the shareholders' meeting of the Company passing a resolution on the discharge (*Entlastung*) of the Supervisory Board members for the first full fiscal year of the Company.

The Supervisory Board elects a chairman and a vice-chairman from among its members at a meeting held following the general shareholders' meeting in which the Supervisory Board members are newly appointed. The terms of office of the chairman and the vice-chairman correspond to the terms of their appointment as members of the Supervisory Board unless a shorter term of office is determined at the time of their election. If the chairman or the vice-chairman resigns from his or her position prior to the expiration of the respective term of office, the Supervisory Board must elect a substitute from among its members for the remaining term of office of the leaving chairman or vice-chairman. The election of the chairman and vice-chairman of the Supervisory Board was carried out in the Supervisory Board's constitutive meeting on February 10, 2021.

Supervisory Board members elected by the shareholders' meeting may be removed by a resolution of the shareholders' meeting if such resolution is approved by at least 75% of the votes cast. In addition, each member of the Supervisory Board and each substitute member may resign from office even without good cause with one month written notice issued to the chairman of the Supervisory Board or, in case of a resignation by the chairman, to his/her deputy. The chairman of the Supervisory Board or, in case of a resignation by the chairman, his/her deputy, can consent to a shortening or to a waiver of this period. Following the shareholders' meeting, in the course of which the members of the Supervisory Board are elected by the shareholders' meeting for a new term, the Supervisory Board will elect a chairman and a deputy chairman from among its members to serve for the duration of those members' terms. If the chairman or his/her deputy leaves such office before the end of its term, the Supervisory Board shall conduct a new election without undue delay.

The chairman of the Supervisory Board is responsible for convening the meetings of the Supervisory Board with at least two weeks' notice; the day on which the invitation is sent and the day on which the meeting takes place are not counted for purposes of calculating the notice period. The notice period may be shortened in urgent cases. Notice of meetings may be given in writing, electronically, in text form, orally, or by phone. According to the Articles of Association, if the chairman permits, individual members of the Supervisory Board may participate in meetings by way of a telephone or video conference or by way of a comparable audio and/or video transmission. The chairman acts as chair of the meetings of the Supervisory Board. Members of the Supervisory Board unable to participate in a meeting can participate in the adoption of a resolution if another member presents a written vote on their behalf. Resolutions may be adopted outside meetings orally, in writing, electronically or otherwise in text form (including a combination of these forms), or by means of a telephone or video conference, provided the chairman of the Supervisory Board so determines.

In accordance with the Articles of Association, the Supervisory Board has a quorum if at least half of the members of the Supervisory Board participate in the adoption of a resolution. A member who (i) is absent and not participating by telephone or electronic means of communication (in particular, video conference) but who submits a vote as mentioned above or (ii) abstains from voting, is deemed to have participated in the adoption of a resolution. Unless otherwise required by law or the Articles of Association, resolutions are adopted by simple majority of the members participating in the vote. An abstention is not deemed to be a vote. In the event of a tie, if a re-vote on the same subject matter again results in a tie, the chairman is granted a casting vote. Such voting powers are not granted to the vice-chairman.

The chairman of the Supervisory Board may adjourn the adoption of certain or all items on the agenda of a meeting if the number of shareholder and employee representatives participating in the adoption is not equal or if there is another material reason to adjourn. The chairman shall not be entitled to adjourn the same agenda item again in the following meeting of the Supervisory Board.

15.3.2 Committees

Pursuant to Section 13 para. 2 of the Articles of Association, the Supervisory Board may establish committees and may further delegate to such committees the authority to make decisions on behalf of the Supervisory Board to the extent legally permissible. The Supervisory Board has currently not established a committee.

15.3.3 Current Members of the Supervisory Board

The following table shows the names of the current members of the Supervisory Board, as well as – where applicable – their other positions as members of a management, administrative, or supervisory board in companies or as partners in partnerships, in each case outside the Vorwerk Group and within the last five years:

Name	Born	Member Since*	Appointed Until		Further Positions as a Member of a Management, Administrative, or Supervisory Body in Companies or as a Partner in Partnerships	
Dr. Christof Nesemeier (chairman)	1965	2020	2026	MBB SE	Chief Executive Officer; member of the board (since 2015)	2005-2021
				Delignit AG	Chairman of the Supervisory Board	2007-2022
				MBB Capital Management GmbH	Managing Director and Shareholder	Since 2010
				Aumann AG	Member of the Supervisory Board	2018-2022
Dr. Julian Deutz (deputy chairman)	1968	2021	2026	Axel Springer SE	Member of the Board of Directors	Since 2014
				Handelshochschule Leipzig	Member of the Supervisory Board	2020-2021
Heike von der Heyden	1966	2021	2026	Green City AG	Head of M&A	Since 2019

All members of the Supervisory Board may be reached at the Company's offices at Niedersachsenstr. 19-21, 21255 Tostedt, Germany (telephone: +49 4182 1047).

The following overviews provide summaries of the curricula vitae of the current members of the Supervisory Board and indicate their principal activities outside the Company to the extent that those are significant with respect to the Company. For more information, see also "15.4. Certain Information Regarding the Members of the Management Board and the Supervisory Board, Conflicts of Interest".

15.3.3.1 Dr. Christof Nesemeier (Chairman)

Dr. Christof Nesemeier (born 1965) is member of the management board, founding shareholder and chief executive officer of MBB SE. He studied economics at the University of Münster, before earning his doctorate at the University of St. Gallen (Switzerland). He worked in international management consultancy until 1996. Dr. Christof Nesemeier is also the chairman of the supervisory board of Delignit AG and member of the supervisory board of Aumann AG. Additionally, he is managing director and shareholder of MBB Capital Management GmbH.

15.3.3.2 Dr. Julian Deutz

Dr. Julian Deutz (born 1968) is member of the executive board and chief financial officer of Axel Springer SE. He studied business administration at WHU – Otto Beisheim School of Management in Koblenz (Germany) with stations abroad at Georgetown University (USA), as well as in Aix-en-Provence (France). He started his career in 1994 at OC&C Strategy Consultants. In 1996 he became head of finance / controlling of Steilmann Group. After assignments as head of M&A / investor relations at Pixelpark AG and CFO at Venturepark AG, he returned to Steilmann Group as CFO in 2001. Dr. Julian Deutz joined Axel Springer in 2004, holds various positions within the Axel Springer Group since then and was appointed as CFO and member of the management board in 2014.

15.3.3.3 Heike von der Heyden

Heike von der Heyden (born 1966) is head of M&A of Green City AG. She studied business administration at the University of Münster (Germany). She started her career in 1990 as a consultant at Price Waterhouse Coopers Finance Beratung GmbH in Berlin (Germany). In 1994, she joined H&P Beteiligungsberatung GmbH, the adviser to

German Equity Partners BV, as a project manager in Frankfurt (Germany). From 1998-1999 she worked as a senior associate at Dresdner Kleinwort Benson Private Equity LLC in New York (USA). In 2000, she joined ECM Equity Capital Management GmbH, the advisor to German Equity Partners II, as a partner and managing director in Frankfurt (Germany). From 2003-2014 she worked as an independent M&A and corporate finance consultant in Munich (Germany) and Portland (Oregon, USA). Heike von der Heyden joined Green City AG in 2019.

15.3.4 Remuneration and Benefits; Share Ownership

The compensation of the members of the Supervisory Board has been resolved upon in the Company's shareholders' meeting on February 10, 2021. The chairman of the Supervisory Board receives a fixed annual compensation in the amount of EUR 25,000 and the other members receive a fixed annual compensation in the amount of EUR 22,500 each.

The members of the Supervisory Board are covered by the Company's D&O insurance, with coverage in line with best market practice. For more information, see "*10.15. Insurance*".

As of the date of the Prospectus, the members of the Supervisory Board hold no shares of the Company. Dr. Christof Nesemeier indirectly via investment companies holds 33.45% of the share capital of MBB SE which, in turn, holds 66.67% of the share capital of the Company.

15.4. Certain Information Regarding the Members of the Management Board and the Supervisory Board, Conflicts of Interest

In the last five years, no member of the Management Board or Supervisory Board has been convicted in relation to fraudulent offenses, nor have they been associated with any bankruptcies, receiverships, or liquidations, or subject to any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional bodies), or disqualified by a court from acting as a member of the administrative, management, or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer. As of the date of the Prospectus, no family relationships exist among the members of the Management Board, among the members of the Supervisory Board, or among the members of the Management Board on the one hand and the members of the Supervisory Board on the other hand. No member of the Management Board or the Supervisory Board has executed a contract for services with a company of the Vorwerk Group that provides for benefits on termination.

The chairman of the Supervisory Board, Dr. Christof Nesemeier, holds functions at MBB SE, our major shareholder prior to and after the Offering; see "*15.3.3. Current Members of the Supervisory Board*". Accordingly, their interests may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

The CEO Torben Kleinfeldt and the chairman of the Supervisory Board, Dr. Christof Nesemeier, are indirectly invested in the Company and expected to indirectly receive certain proceeds from the Offering (see "*15.2.3.3. Shareholdings of the Members of the Management Board in the Company*", "*15.3.4. Remuneration and Benefits; Share Ownership*"). Except as described above, prior to completion of the Offering, the members of the Management Board and the Supervisory Board hold no participation in the Company. To the extent the members of the Management Board or the Supervisory Board directly or indirectly hold shares of the Company, they may, separately from their positions in the respective governing body, have financial interests as a result of their shareholdings, which constitutes a potential conflict of interest.

Except as described above, there are no actual or potential conflicts of interest between any duties of the members of the Management Board and the Supervisory Board to the Company and their private interests and/or other duties.

15.5. Shareholders' Meeting

Pursuant to Art. 54 para. 1 of the SE Regulation, the annual shareholder's meeting of the Company must be held within the first six months of each fiscal year. Shareholders' meetings (annual and extraordinary) take place at the registered office of the Company, in Tostedt, in Hamburg, at the registered office of a branch or subsidiary of the

Company or at the place of a German stock exchange in Germany, whereas the location is chosen at the option of the body convening the shareholders' meeting and must be included in the convocation notice. Any notices to shareholders are solely made by means of electronic communication, with the exception of the convocation notice, which is published in the German Federal Gazette (*Bundesanzeiger*). Each of the Company's shares entitles the holder to one vote in the shareholders' meeting. There are no restrictions on the voting rights. The voting right arises only upon fully paid up shares.

Unless mandatory statutory provisions require otherwise, resolutions are adopted by a simple majority vote and, if a majority of the capital is required, with a majority of the share capital represented when the resolution is adopted. According to Art. 5, 57 and 59 of the SE Regulation, Section 51 of the SE Implementation Act (*SE-Ausführungsgesetz*) in conjunction with the German Stock Corporation Act (*Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) require the approval of the majority of the votes cast and of a 75% majority of the share capital represented at the adoption of the resolution. Resolutions of fundamental importance include, among other things:

- amendments to the purpose/objects of the Company;
- capital increases without subscription rights for existing shareholders;
- capital reductions;
- creating authorized or conditional capital;
- execution of corporate group agreements (especially control and profit and loss transfer agreements);
- mergers, spin-offs, or amalgamations, as well as transfers of substantially all the assets of the Company;
- changes to the legal form of the Company; and
- a dissolution of the Company.

The shareholders' meeting can be convened by the Management Board, the Supervisory Board, or shareholders whose combined shareholding amounts to 5% of the Company's share capital. Shareholders or shareholders' associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the German Company Register's (*Unternehmensregister*) website, to either put forward a joint request or to put forward a request on behalf of the shareholders for a shareholders' meeting. The Supervisory Board must call a shareholders' meeting if it is in the interest of the Company. The annual shareholders' meeting takes place within the first six months after the expiration of the fiscal year. The notice of the shareholders' meeting must be issued in the German Federal Gazette (*Bundesanzeiger*) 30 days prior to the day of the shareholders' meeting at the latest, the day of the shareholders' meeting itself and the day of the receipt of the notice not being included in this notice period. Only shareholders who have registered with the Company in text form (Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*)) in German or English in a timely manner (prior to the shareholders' meeting) are entitled to participate in the shareholders' meeting and exercise their voting rights under the Articles of Association. Legitimation for participating in the shareholders' meeting requires share ownership on the 21st day before the shareholders' meeting (record date). Shareholders who can prove their share ownership on the record date are entitled to participate and exercise all rights as shareholders in the shareholders' meeting, even in case of a subsequent sale of shares before the date of the shareholders' meeting. *Vice versa*, shareholders who have acquired their shares after the record date are not entitled to participate or exercise rights as shareholders in the shareholders' meeting. The registration must be received by the Company at the address stated in the notice calling the meeting no later than six days prior to the meeting. The date of receipt is not taken into account when calculating the time period. The registration must be in text form (Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*)) and must be in German or English language; a legitimation pursuant to Section 67c(3) of the German Stock Corporation Act (*Aktiengesetz*) is sufficient. The Management Board is authorized to permit shareholders to participate in the shareholders' meeting without being physically present at the meeting and without a proxy being present. It may further allow for all or individual shareholders to exercise some or all of their rights partially or fully by way of electronic communication. The Management Board is also authorized to allow shareholders to cast their votes in writing or by way of electronic communication without being present at the

shareholders' meeting (postal vote). Should the Management Board use this authorization, it will specify the details of this procedure at the time of convening the shareholders' meeting.

Neither European law nor German law nor the Articles of Association limit the rights of shareholders who do not reside in Germany or who are foreign shareholders in relation to holding shares and exercising the voting rights pertaining to the shares.

The rights of the shareholders can generally only be amended with the consent of the affected shareholders, but there are circumstances, set out by law, in which a 75% majority is sufficient. Currently, there are no provisions in the Articles of Association that deviate from the statutory provisions regarding the scope of amending shareholders' rights.

15.6. Virtual Shareholders' Meeting

Pursuant to the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated March 27, 2020 (the "**COVID-19-Act**") as extended by regulation of the Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbraucherschutz*) dated October 20, 2020, the Management Board may decide, with the approval of the Supervisory Board, to hold shareholders' meetings on or before December 31, 2021 as virtual shareholders' meetings without physical attendance of the shareholders or their representatives, provided that the following requirements are fulfilled: (i) the entire shareholders' meeting is broadcast via audio and video transmission; (ii) shareholders may exercise their voting rights via electronic communication (absentee voting or electronic participation) and by authorizing proxy representatives; (iii) shareholders are granted the opportunity to ask questions via electronic communication; and (iv) shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the shareholders' meeting without the requirement to attend in person at the shareholders' meeting. Under the COVID-19-Act, the Management Board, with the consent of the Supervisory Board, may shorten certain periods in connection with the convocation of, registration and providing evidence of shareholding for, shareholders' meetings held on or before December 31, 2021. In particular, the shareholders' meeting may be convened as late as on the 21st day prior to the day of the meeting.

15.7. Corporate Governance

The Code contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to increase the transparency of the German system of corporate governance and supervision for investors. The Code includes recommendations and suggestions for management and supervision with regards to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing. There is no obligation to comply with the recommendations or suggestions of the Code. Pursuant to Section 161 para. 1 AktG, the Management Board and the Supervisory Board are, however, required to declare that the Company has either complied or will comply with the recommendations of the Code, or which recommendations have not or will not be complied with, and explain why the Management Board and the Supervisory Board do not or will not comply with certain recommendations. This declaration must be submitted annually and must be made permanently accessible to the shareholders. There is no requirement to disclose any deviations from the suggestions of the Code. As of the date of this Prospectus, the Company complies with all recommendations of the Code, apart from the following:

- **Sections B.5 and C.2 – Age limit for the members of the Management Board and the Supervisory Board:** Sections B.5 and C.2 of the Code provide that an age limit is to be established for the members of the Management Board and the Supervisory Board respectively. As all current members of the Management Board and the Supervisory Board are at an age that allows many years of service before they reach the average retirement age, the Company believes an age limit for members of the Management Board and the Supervisory Board is currently an issue at this point in time. Management Board and the Supervisory Board will reconsider the question after the Listing.

- Section C.10 – Chair of the Supervisory Board:** Section C.10 of the Code provides that The chair of the supervisory board, the chair of the audit committee, as well as the chair of the committee that addresses management board remuneration, shall be independent from the company and the management board of the Company. The chair of the audit committee shall also be independent from the controlling shareholder. Dr. Christof Nesemeier is the Chairman of the Company's Supervisory Board. As he is also Chief Executive Officer of MBB SE, currently the main shareholder of the Company, he would not qualify as sufficiently independent to chair the audit committee. However, he is regarded sufficiently independent from the Company to chair the Supervisory Board. In any case, two of the currently three total members of the Supervisory Board are independent from the main shareholder and can overrule the Chairman on any resolution, the Company believes that the current setup provides for sufficient independence effectiveness of the Supervisory Board.
- Sections D.2 through D.5, D.11 and D.13 of the Code – Supervisory Board Committees:** Section D.2 of the Code provides that depending on the specific circumstances of the enterprise and the number of members of the supervisory board, a supervisory board should form committees of members with relevant specialist expertise. In particular, Sections D.3 and D.5 of the Code recommend the formation of an audit committee and a nomination committee. Section D.11 of the Code tasks the audit committee with conducting an evaluation of the quality of the audit of the Company's audited financial statements on a regular basis. Given that the Supervisory Board only comprises three members, the Supervisory Board has decided not to form any committees. Any committee could only pass resolutions in place of the Supervisory Board if the committee itself were to comprise at least three committee members, which corresponds to the quorum for the Supervisory Board as a whole. Consequently, the Company believes that establishing Supervisory Board committees would not in any way improve the effectiveness of the Supervisory Board.
- Section F.2 – Transparency and external reporting:** Section F.2 of the Code provides that the consolidated financial statements and the group management report shall be publicly accessible within 90 days of the end of the financial year, and the mandatory interim financial information shall be publicly accessible within 45 days of the end of the reporting period. Consolidated financial statements and interim reports are published in accordance with the statutory deadlines and those set by Deutsche Börse for the Prime Standard. As an industrial group with majority shareholdings in various subsidiaries with regular intercompany business, the Company has both a large number of individual companies to consolidate and to perform initial consolidations and deconsolidations. Compliance with the deadlines proposed in the Code would therefore result in disproportionate effort for the Company.
- Sections G.1 to G.11 of the Code – Management Board Remuneration:** Sections G.1 and G.2 of the Code provide that the remuneration system for the members of the Management Board which the Supervisory Board has to develop shall, in addition to the binding legal requirements, contain certain further elements, in particular a specific target total remuneration for each Management Board member. Sections G.3 through G.5 of the Code contain requirements which the Supervisory Board shall take into account when developing such remuneration system, in particular with respect to an appropriate peer group of third-party entities, the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and the independence of external remuneration experts engaged. Sections G.6 through G.11 provide for recommendations relating to variable remuneration, in particular the ratio between long-term and short-term targets, the performance criteria, subsequent changes to the target values, the determination of the target achievements, the requirement to invest variable remuneration predominantly in company shares, and the option to retain or reclaim variable remuneration, if justified. We believe that the remuneration system for the Management Board is appropriate to the current size and nature of the Company. The CEO receives a fixed compensation without a variable component due to his indirect shareholding in the Company. The CFO also receives a fixed compensation, and may be awarded a special compensation for extraordinary performance at the discretion of the Supervisory Board, and, in addition, will be granted a bonus for the successful placement of the New Shares. Given that all members of the Management Board and the CEO in particular will hold either directly or indirectly a substantial number of Shares, the Supervisory Board believes that they are sufficiently incentivized to work in the interest of the Company and its shareholders.

16. TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

16.1. Overview

In accordance with IAS 24 – Related Party Disclosures, transactions with individuals or entities that control or are controlled by the Vorwerk Group must be disclosed unless they have already been included as consolidated entities in the Audited Consolidated Financial Statements. In addition, there is an obligation to disclose transactions with associates and persons who have significant influence over the operating and financial policies of the Vorwerk Group. Significant influence can mean a shareholding in the Company of 20% or more, a position on the Management Board or the Supervisory Board, or a key management position.

According to IAS 24, related parties of the Company are entities or persons related to the Company, including:

- Group companies that are controlled by the Company, in which the Company has an interest that gives it a significant influence, or over which it has joint control;
- Companies that are associated with the Company within the meaning of IAS 28, and that are not consolidated by Company, as well as joint ventures in which the Company participates;
- The principal shareholders whose shares give them control, joint control or a significant influence over the Company, as well as all companies and businesses over which these shareholders can exert a controlling influence and/or in which they hold more than 50% of the voting rights.
- The members of the Management Board and the Supervisory Board of the Company (or their close family members), as well as entities controlled or significantly influenced by members of the Management Board or the Supervisory Board (or their close family members), or in which those persons directly or indirectly hold significant voting power.

Intra-group relationships and transactions among the Company and consolidated companies of the Vorwerk Group or among consolidated companies of the Vorwerk Group are not discussed below.

All business transactions with related parties are in our view made on an arm's-length basis.

Set forth below are transactions with related parties for the fiscal years 2020, 2019 and 2018, as well as for the current fiscal year up to the date of the Prospectus. Business relationships between the Company and other subsidiaries of the Vorwerk Group or among consolidated companies of the Vorwerk Group are not included.

16.2. Transactions with Related Parties

We had business transactions with related parties in 2020, 2019 and 2018, as well as in the current fiscal year until the date of the Prospectus. Unlike otherwise stated, all transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third-party counterparts. Unlike otherwise stated, all such transactions with related parties were thus, in the Company's view, carried out in accordance with the arm's length principle.

16.2.1 Relationships between the Vorwerk Group and its Shareholders

16.2.1.1 Management

In the fiscal year 2020, Friedrich Vorwerk SE & Co. KG performed various works for KLEH Immobilien GmbH & Co. KG with a total transaction volume of EUR 25 thousand. KLEH Immobilien GmbH & Co. KG is an affiliate of the Company's CEO Torben Kleinfeldt and the managing director of Friedrich Vorwerk KG (GmbH & Co.), Klaus-Dieter Ehlen.

In April 2019, Friedrich Vorwerk KG (GmbH & Co.) sold several plots of land to KLEH Immobilien GmbH & Co. KG, Tostedt, at a price of EUR 300 thousand.

In May 2019, Friedrich Vorwerk KG (GmbH & Co.) entered into a rental agreement with KLEH Immobilien GmbH & Co. KG for residential space. The total transaction volume from this rental agreement in the fiscal year 2020 amounted to EUR 17 thousand (2019: EUR 10 thousand).

In April 2020, Friedrich Vorwerk SE & Co. KG sold a vehicle to ALX Beteiligungsgesellschaft mbH at a price of EUR 56 thousand. ALX Beteiligungsgesellschaft mbH is allocated to the Company's CEO Torben Kleinfeldt.

In the fiscal year 2018, Friedrich Vorwerk KG (GmbH & Co.)'s managing director Kevin Loots was granted a loan of EUR 200 thousand. The loan was fully repaid in the fiscal year 2019.

For an overview regarding the compensation of the members of the Management Board and the Supervisory Board, please refer to the section "*15.2.3.1 Remuneration in the Fiscal Year Ended December 31, 2020*" of this Prospectus.

16.2.1.2 Transactions with shareholders

Friedrich Vorwerk KG (GmbH & Co.) entered into a rental agreement with Irene Vorwerk, a 10% shareholder in the Vorwerk Group's main operating subsidiary Friedrich Vorwerk KG (GmbH & Co.), relating to office space in Tostedt. The rental agreement has a fixed duration until the end of 2022 and is subsequently extended automatically if it is not terminated by one of the parties with a notice period of twelve months. The rent contract was established on an arm's-length basis. The total transaction volume from this rental agreement in the fiscal year 2020 amounted to EUR 135 thousand (previous fiscal year: EUR 135 thousand). As of the end of the reporting period there are no existing balances.

Irene Vorwerk granted Friedrich Vorwerk KG (GmbH & Co. KG) loans at a standard rate of interest and a fixed duration until December 31, 2025. As of December 31, 2020 the balance is EUR 2,812 thousand (previous fiscal year: EUR 2,812 thousand). In the fiscal year 2020, the interest expense totaled EUR 84 thousand (previous fiscal year: EUR 84 thousand).

Vorwerk Group issued profit participation rights of EUR 10,213 thousand to Irene und Friedrich Vorwerk Stiftung. The profit participation rights grant a guaranteed interest rate of 2.50% above the applicable 3M-EURIBOR. Furthermore, the bearer of the profit participation rights participates in the consolidated net profit of the Vorwerk Group in the form of floating-rate interest. The total interest on the profit participation rights in the fiscal year ended December 31, 2020 amounted to 4.0%, compared to 3.6% in the year ended December 31, 2019. The profit participation rights can be cancelled for the first time effective December 31, 2039.

On August 23, 2019, MBB SE concluded a service agreement with the Company pursuant to which MBB SE provides certain services to the Vorwerk Group, including, but not limited to, assumption of management functions, assisting in the preparation of controlling tools and reports, preparation of annual and interim financial reports, operational advisory services, support for the strategic development of the Vorwerk Group. In particular, MBB SE will identify potential M&A targets for the Vorwerk Group and execute the relevant M&A process for the Vorwerk Group, and establish new subsidiaries, especially relating to the internationalization of the Vorwerk Group's business. MBB SE also will develop the corporate finance functions of the Vorwerk Group and assist in capital markets related issues. In the fiscal years ended December 31, 2019 and December 31, 2020, the Vorwerk Group paid fees amounting to EUR 562 thousand and EUR 560 thousand, respectively to MBB SE for these services. The term of this service agreement is unlimited. Each party may terminate the agreement with a six month notice prior to the end of the month. The right to termination for cause remains unaffected and such cause exists if MBB SE holds less than 50% of the shares of the Company. After completion of the Offering, it is intended to revise the contract in order to change the billing modalities to a per diem basis.

16.2.1.3 Cost Sharing and Indemnification Agreement

On March 15, 2021, the Selling Shareholders and the Company entered into a cost sharing and indemnification agreement regarding the allocation of costs and liability in connection with the Offering (the "**Cost Sharing and Indemnification Agreement**"). Pursuant to the Cost Sharing and Indemnification Agreement, the Selling Shareholders will reimburse the Company for certain costs that are incurred in connection with the preparation and the execution of the Offering on a *pro rata* basis, calculated according to the ratio of the number of Secondary

Shares to the aggregate number of Offer Shares placed in the Offering. The costs to be reimbursed include, in particular, certain legal, auditor and other advisor fees, underwriters' commissions, as well as the cost of insuring against liability claims. The Selling Shareholders further agreed to indemnify the Company from all liability risks in connection with the Offering on a *pro rata* basis, including the *pro rata* share of all reasonable legal costs. In addition, the Company has agreed, upon indemnification by the Selling Shareholders and to the extent legally permissible, to assign certain claims the Company may have against third parties to the Selling Shareholders.

17. UNDERWRITING

17.1. Subject of and Arrangements on Underwriting

The Company, the Selling Shareholders, each of the Joint Bookrunners and the Placement Agent have entered into the Underwriting Agreement on March 15, 2021 with respect to the offer and sale of the Offer Shares. The Underwriting Agreement does not include a firm commitment by the Underwriters to acquire the Offer Shares.

The obligations of the Joint Bookrunners to pay the proceeds of the Offering to the Company and the Selling Shareholders according to the provisions of the Underwriting Agreement are subject to various conditions, including, among other things, (i) conclusion of a pricing and volume agreement, the Cost Sharing and Indemnification Agreement and an agreement on an IPO insurance between the Company and an insurer, (ii) absence of a material adverse change, such as a reasonably likely material adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of the Vorwerk Group, or a suspension in trading of the Company's securities (other than an intraday suspension for technical reasons) or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange, or the New York Stock Exchange, (iii) receipt of customary certificates, legal opinions and comfort letters, (iv) admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and (v) necessary filings and receipt of necessary approvals in connection with the Offering.

Some of the Joint Bookrunners or their affiliates have, and may from time to time in the future continue to have, business relations (including lending activities) with, and may perform services for, the Vorwerk Group or the Selling Shareholders in their capacity as financial institutions (for a more detailed description of the interests of the Joint Bookrunners in the offering, see "3.13. *Interests of Parties Participating in the Offering*").

The following table presents the maximum numbers of New Shares, Secondary Shares, and Greenshoe Shares that will or may be purchased by the respective Joint Bookrunner pursuant to the Underwriting Agreement and the terms and conditions contained therein, together with the corresponding percentage of the total number of Offer Shares:

Joint Bookrunner	Maximum Number of New Shares to be Purchased	Maximum Number of Secondary Shares to be Purchased	Maximum Number of Greenshoe Shares to be Purchased	Percentage of Offer Shares
Jefferies GmbH	800,000	2,400,000	480,000	40%
Joh. Berenberg, Gossler & Co. KG	800,000	2,400,000	480,000	40%
Hauck & Aufhäuser Privatbankiers AG	400,000	1,200,000	240,000	20%
Total	2,000,000	6,000,000	1,200,000	100%

17.2. Commissions

Pursuant to the terms and conditions of the Underwriting Agreement, the Joint Bookrunners shall receive a commission of 2.25% of the aggregate gross proceeds of the Offering (including any proceeds from exercising the Greenshoe Option). In addition, the Company and the Selling Shareholders may, at their absolute and full discretion and based upon their assessment of the success of the Offering, decide to pay the Joint Bookrunners an additional fee of up to 1.75% of the aggregate gross proceeds of the Offering (including any proceeds from exercising the Greenshoe Option). See also "4.1. *Proceeds and Costs of the Offering and the Listing*".

17.3. Over-Allotment, Securities Loan, and Greenshoe Option

For the purpose of a possible Over-Allotment, the stabilization manager, for the account of the Joint Bookrunners, will be provided with up to 1,200,000 Over-Allotment Shares in the form of a securities loan free of charge from

the Selling Shareholders; this number of Over-Allotment Shares and will not exceed 15% of the sum of the number of New Shares and Secondary Shares. In addition, the Selling Shareholders will further grant the Joint Bookrunners the option to acquire up to an equal number of shares against payment of the Offer Price (Greenshoe Option) in order to satisfy the retransfer obligation under the securities loan. The Greenshoe Option may be exercised at maximum to the extent that shares of the Company have been placed by way of Over-Allotments. The Greenshoe Option will be exercisable by Berenberg as stabilization manager for the account of the Joint Global Coordinators within 30 calendar days after the commencement of the trading of the shares on the stock exchange. The stabilization manager may, to the extent permitted by applicable law, over-allot or effect transactions with the view to supporting the market price of the shares or any options, warrants or rights with respect to, or other interest in, the shares or other securities of the Company, in each case at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilization manager will undertake stabilization action.

17.4. Termination/Indemnification

The Underwriting Agreement provides that the Joint Bookrunners may under certain circumstances terminate the Underwriting Agreement, including after the shares have been allotted and listed, up to delivery and settlement. Grounds for termination include in particular:

- the Company or the Vorwerk Group has sustained since December 31, 2020, a loss or interference with respect to its business from fire, explosion, flood or other calamity (whether or not covered by insurance), or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the offering documents and which is materially adverse to the Company or the Vorwerk Group taken as a whole;
- since December 31, 2020, (i) there has been any material change or development reasonably likely to result in a material change to the share capital of the Company; (ii) there has been any material change or development reasonably likely to result in a material change in the long-term debt of the Company or the Vorwerk Group taken as a whole; (iii) there has been any material adverse change, or any development reasonably likely to result in a material adverse change, in or affecting the condition of the business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Vorwerk Group or preventing the Company from performing any of its material obligations under the Underwriting Agreement; or (iv) the Company or the Vorwerk Group taken as a whole has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business, otherwise in each of case (i), (ii), (iii) and (iv) than as set forth, described or contemplated in the offering documents; or
- there has occurred any of the following: (i) a suspension in trading (other than an intraday suspension for technical reasons) in securities of the Company or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange, or the New York Stock Exchange; (ii) a general moratorium on banking activities in Frankfurt, London, or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement, payment or clearance services in Europe or the United States; (iii) a material adverse change in national or international financial, political, or economic conditions or currency exchange rates or currency controls which could have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States; (iv) the outbreak or escalation of hostilities, or the declaration of a national emergency or war which could have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States; or (v) the occurrence of any acts of terrorism or any other calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or currency control, which could have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial institution to which the investor submitted

its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholders have further agreed in the Underwriting Agreement to indemnify the Joint Bookrunners against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

17.5. Selling Restrictions

The distribution of the Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. The Offer Shares may not be offered or sold, directly or indirectly, and neither the Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction other than Germany, except in compliance with any applicable rules and regulations of such country or jurisdiction. It is the responsibility of any person who receives a copy of the Prospectus to inform themselves about and observe any laws and restrictions, including, but not limited to, those set out below. Failure to comply with these restrictions may constitute a violation of securities laws.

No action has been or will be taken by the Company, the Selling Shareholders or the Joint Bookrunners to permit a public offering of any Offer Shares or the possession or distribution of this document in any country or jurisdiction other than Germany where action for such purposes may be required. The Prospectus has been approved solely by BaFin as competent authority under the Prospectus Regulation, see "*2.1. Responsibility for the Content of the Prospectus*".

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States and the Offer Shares may not be offered, sold, or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. Accordingly, the Offer Shares are being offered and sold only (a) in the United States to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A and (b) outside the United States in an offshore transaction in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Sales in the United Kingdom are also subject to restrictions. In the United Kingdom, the Prospectus is only addressed to and directed to qualified investors who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) are high net worth entities falling within Article 49(2)(a) through (d) of the Order, and other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The securities described herein are only available in the United Kingdom to Relevant Persons, and subsequently, any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on the Prospectus or any of its contents.

In relation to each member state of the EEA and the United Kingdom (each, a "**Relevant State**"), an offer to the public of any Offer Shares, other than the offer in Germany contemplated in the Prospectus (once the Prospectus has been approved by BaFin and published in accordance with the Prospectus Regulation), may not be made in that Relevant State, except that an offer to the public in that Relevant State of any Offer Shares may be made at any time in accordance with the following exceptions under the Prospectus Regulation:

- to any legal entity which is a "qualified investor" as defined in Article 2 lit. e) of the Prospectus Regulation;

- to fewer than 150 natural or legal persons (other than "qualified investors" as defined in Article 2 lit. e) of the Prospectus Regulation) per Relevant State, subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer Shares shall result in a requirement for the Company or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation.

In the case of any Offer Shares being offered to a financial intermediary as that term is used in Article 1(4) of the Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the Offer Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Offer Shares to the public, other than their offer or resale in a Relevant State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale.

For the purposes of the Prospectus, the expression "offer to the public" in relation to any Offer Shares in any Relevant State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Offering and the Offer Shares, so as to enable an investor to decide to purchase or subscribe to Offer Shares, including any placing of Offer Shares through financial intermediaries.

18. TAXATION OF SHAREHOLDERS IN GERMANY

Income received from the shares of the Company is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Company's state of incorporation, statutory seat and place of effective management, *i.e.*, Germany, might have an impact on the income received from the shares of the Company.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding, or transfer of shares by a shareholder (an individual, a partnership, or a corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office, or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts), as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change – sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (*Kapitalertragsteuer*). Only such advisers are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

18.1. Income Tax Implications of the Holding, Sale, and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares ("*18.2. Taxation of Dividends*") and taxation in connection with the sale of shares ("*18.3. Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares ("*18.5. Inheritance and Gift Tax*").

18.2. Taxation of Dividends

18.2.1 Withholding Tax

As a general rule, dividends distributed to the shareholder are subject to a withholding tax (*Kapitalertragsteuer*) of 25% and a solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)); in this case no withholding tax will be withheld. However, these payments will reduce the acquisition costs of the shares and may, consequently, result in or increase a taxable gain upon the disposal of the shares (see below "*18.3. Taxation of Capital Gains*"). The assessment basis for the withholding tax is the dividend approved by the shareholders' meeting.

If shares – as it is the case with the shares of the Company – are admitted for collective custody by a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 of the Act on Securities Accounts (*Depotgesetz*) and are entrusted to such bank for collective custody (*Sammelverwahrung*) in Germany, the withholding tax is withheld and passed on for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*), or by the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps or administers the shares and disburses or credits the dividends to the shareholder or disburses the dividends to a foreign agent, (ii) by the central securities depository (*Wertpapiersammelbank*) to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository (*Wertpapiersammelbank*), or (iii) by the Company itself if and to the extent shares held in collective custody (*Sammelverwahrung*) by the central securities depository (*Wertpapiersammelbank*) are treated as so-called "*abgesetzte Bestände*" (stock being held separately) (the "**Dividend Paying Agent**"). Aside from the case of

stock being held separately, the Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard as to whether and to what extent the dividend is exempt from (corporate) income tax at the level of the shareholder and whether the shareholder is domiciled in Germany or abroad.

However, withholding tax on dividends distributed to a company domiciled in another Member State within the meaning of Art 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended ("**Parent-Subsidiary Directive**"), may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another Member State or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10% of the Company's registered share capital continuously for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern, Hauptdienstszitz Bonn-Beuel, An der Kuppe 1, 53225 Bonn, Germany*). If, in the case of a holding of at least 10% of the Company's registered share capital, shares held in collective custody (*Sammelverwahrung*) by the German central securities depository (*Wertpapiersammelbank*) Clearstream are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company upon presentation of a valid exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately, disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) (at the above address).

With respect to distributions made to shareholders not tax resident in Germany, the withholding tax may be at least partially refunded in accordance with an applicable double taxation treaty Germany has entered into with the respective shareholder's country of residence if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax refund is generally granted by the German Federal Central Tax Office (at the above address) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally 15.0%) is refunded by the German Federal Central Tax Office. A refund is not required if the Federal Central Tax Office has, upon application on the officially prescribed form, issued an exemption certificate (*Freistellungsbescheinigung*) which documents that the prerequisites for the application of the reduced withholding tax rates have been met. Dividends covered by the exemption certificate of the shareholder are then only subject to the reduced withholding tax rates stipulated in the exemption certificate.

Forms for the reimbursement and the exemption from the withholding at source procedure are available at the German Federal Central Tax Office (at the above address or online at <http://www.bzst.bund.de>), as well as at German embassies and consulates.

If dividends are distributed to corporations subject to non-resident taxation in Germany, *i.e.*, corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for a refund under the Parent-Subsidiary Directive or an applicable double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (at the above address).

The aforementioned possibilities for an exemption from or a refund of withholding tax depend on certain other conditions being met (particularly the fulfillment of specific anti-treaty shopping requirements (Section 50d para. 3 German Income Tax Act)). It should be noted that the German legislator recently announced to modify such requirements and the tax refund procedure in general but is uncertain whether and when such amendments will be enacted.

Pursuant to a special rule, the aforementioned withholding tax reliefs, as well as the credit of withholding tax described in the section "18.2.2. Taxation of Dividends of Shareholders with a Tax Domicile in Germany" below for shares held as non-business and as business assets will only be granted if the shareholder (i) has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**" (*Mindesthaltedauer*)), (ii) has been exposed (if taking into account claims of the shareholder from transactions reducing the risk of changes of the market value of the shares and corresponding claims of related parties of the shareholder) to at least 70.0% of the risk resulting from a decrease-in-value of the shares continuously during the Minimum Holding Period (the minimum change-in-value risk (*Mindestwertänderungsrisiko*)), and (iii) is not obliged to forward (*vergüten*) these dividends, directly or indirectly, in total or to more than 50.0% to another person.

In the event that a shareholder tax resident in Germany does not meet the aforementioned three requirements, three fifths of the withholding tax levied on the dividends (*i.e.*, 15.0% of the dividends) is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income in an assessment procedure. Shareholders who do not meet the requirements but who have, nevertheless, not suffered a withholding tax deduction on the dividends (for example, due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obliged to notify their competent tax office thereof and to make the payment of an amount corresponding to the amount which would otherwise be withheld; pursuant to the law regarding tax incentives for electric mobility and the amendment of further tax regulations (*Gesetz zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher Vorschriften*) that came into force on December 18, 2019, this amount will be equal to 15.0% of the dividends from 2019 onwards. The special rule on the restriction of withholding tax credit does not apply to a shareholder if either (i) his or her amount of dividend income on shares (including shares of the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of EUR 20,000 in a given tax assessment period or (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

In the event that a shareholder not tax resident in Germany does not meet the aforementioned three requirements, a refund of the withholding tax pursuant to a double taxation treaty is not available. This restriction only applies if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15.0%, (ii) the shareholder is not a corporation that directly holds at least a participation of 10.0% of the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt, and (iii) the shareholder has not been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

18.2.2 Taxation of Dividends of Shareholders with a Tax Domicile in Germany

This section applies to shareholders with a tax domicile in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

18.2.2.1 Shares Held as Non-Business Assets

Dividends distributed to shareholders with a tax domicile in Germany whose shares are held as non-business assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25.0% plus solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is generally satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax (*Abgeltungsteuer*)). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples and registered partners jointly assessed). However, the shareholder may request that his capital investment income (including dividends) along with his other taxable income be subject to a progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction.

If the withholding tax deduction does not satisfy the tax liability of the shareholder, the withholding tax will generally be credited against the progressive income tax and any excess amount will be refunded if the requirements of the special rule on the restriction of withholding tax credit (see above "18.2.1. Withholding Tax") are fulfilled.

Exceptions from the flat-rate withholding tax also apply upon application for shareholders who have a shareholding of at least 25.0% in the Company and for shareholders who have a shareholding of at least 1.0% in the Company and are able to entrepreneurially influence the business activities of the company through professional work for the Company (the latter alternative is applicable for tax assessment periods from 2017 onwards). In this situation, the tax treatment described below at "18.2.2.2. Sole Proprietors") applies.

For taxpayers subject to church tax, the tax will be withheld by way of an automated procedure and remitted to the religious community levying the tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the standard aggregate withholding tax rate of 26.375% (including the solidarity surcharge) by the church tax to be withheld on the dividends. Where shareholders have lodged a timely written objection with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) (so-called blocking notice (*Sperrvermerk*)) as regards the automated retrieval of data on their religious affiliation, church tax will not be automatically deducted. In this case, a shareholder subject to church tax is obliged to declare the dividends in his income tax return. The church tax on the dividends is then levied by way of a tax assessment.

Shareholders who are subject to German tax residents' taxation and hold their shares as non-business assets may be paid the dividends without deduction of withholding tax if certain prerequisites are met, in particular, if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)) and are paid to shareholders with a tax domicile in Germany whose shares are held as non-business assets, do – contrary to the above – not form part of the shareholder's taxable income but reduce the acquisition costs for the underlying shares. This results in a higher capital gain in the event of the shares' disposal (see below at "18.3. Taxation of Capital Gains"). However, this will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1.0% of the share capital of the Company (a "**Qualified Holding**") and (ii) the dividend payment funded from the Company's contribution account for tax purposes exceeds the actual acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "18.3.1.1. Shares held as Non-Business Assets" with regard to shareholders maintaining a Qualified Holding.

18.2.2.2 Shares Held as Business Assets

Dividends from shares held as business assets of a shareholder with a tax domicile in Germany are not subject to the flat-rate withholding tax. However, dividends are generally subject to the withholding tax on capital investment income of 25.0% plus 5.5% solidarity surcharge thereon, resulting in an aggregate tax rate of 26.375%, plus church tax for individuals, if applicable. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid by the Dividend Paying Agent will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess if the requirements of the special rule on the restriction of withholding tax credit (see above "18.2.1. Withholding Tax") are fulfilled. The taxation depends on whether the shareholder is a corporation, a sole proprietor, or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets, are generally fully tax-exempt in the hands of such shareholder but reduce the acquisition costs for the underlying shares. To the extent the dividend payments funded from the Company's contribution account for tax purposes exceed the actual acquisition costs of the shares, a taxable capital gain occurs. The taxation of such gain corresponds with the description in the section "18.3.1.2. Shares held as Business Assets" made with regard to shareholders whose shares are held as business assets.

18.2.2.2.1 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95% exempt from corporate income tax and the solidarity surcharge. 5% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. In other respects, business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only holds a direct participation of less than 10% in the Company's registered share capital at the beginning of the calendar year ("**Portfolio Participation**" – *Streubesitzbeteiligung*). Participations of at least 10.0% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expense (amounting to 5.0% of the dividend). Trade tax depends on the municipal trade tax multiplier applied by the relevant municipal authority.

Special rules apply to dividends received by companies active in the financial and insurance sectors, as well as pension funds (see "18.4. Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds").

18.2.2.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60.0% of the dividends are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, known as the partial income method (*Teileinkünfteverfahren*). The partial income method does not apply with respect to church tax (if applicable). Only 60.0% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the shareholder held at least 15% of the Company's registered share capital at the beginning of the relevant tax assessment period. In this latter case, the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

18.2.2.2.3 Partnerships

If the shareholder is a partnership with a tax domicile in Germany, the income or corporate income tax, as the case may be, and the solidarity surcharge are not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "18.2.2.2.1. Corporations"). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see "18.2.2.2.2. Sole Proprietors"). Upon

application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership.

In addition, the dividends are generally subject to trade tax in the full amount at the level of a commercial or deemed commercial partnership if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. Due to a lack of case law and administrative guidance, it is unclear how the rules for the taxation of dividends from Portfolio Participations (see "18.2.2.2.1. Corporations") might impact the trade tax treatment at the level of the partnership. Shareholders are strongly recommended to consult their tax advisers.

18.2.3 Taxation of Dividends of Shareholders with a non-German Tax Domicile

Shareholders without a tax domicile in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "18.2.2.2. Shares Held as Business Assets"). The withholding tax (including the solidarity surcharge) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess if the requirements of the special rule on the restriction of withholding tax credit (see "18.2.1. Withholding Tax") are fulfilled.

In all other cases, any tax liability in Germany for dividends received by shareholders resident outside of Germany will be discharged through the withholding of the withholding tax by the Dividend Paying Agent. A refund or exemption is granted only as discussed under "18.2.1. Withholding Tax" above.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)) are generally not subject to German taxation.

18.3. Taxation of Capital Gains

18.3.1 Taxation of Capital Gains of Shareholders with a Tax Domicile in Germany

This section applies to shareholders with a tax domicile in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

18.3.1.1 Shares held as Non-Business Assets

Gains on the disposal of shares acquired by a shareholder with a tax domicile in Germany and held as non-business assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25.0% plus the solidarity surcharge of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax, if applicable). The taxable capital gain is equal to the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares plus the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as a Qualified Holding.

Only an annual lump-sum deduction of EUR 801 (EUR 1,602 for married couples and registered partners jointly assessed) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from the disposal of shares may only

be offset against profits from capital investments arising from the disposal of the Company's shares or other shares in stock corporations during the same assessment period or in future assessment periods.

Furthermore, in case of a derecognition or transfer of worthless shares (or other capital assets), the utilization of such loss is further restricted and can only be offset up to the amount of EUR 10,000 per calendar year.

If the shares are held in custody or administered by a domestic credit or financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), the tax on the capital gains will generally be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25% plus the 5.5% solidarity surcharge thereon and any church tax (if applicable), will be applied to 30% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30% of the gross proceeds must, verify the original costs of the shares in his or her annual income tax return.

The church tax deduction for capital gains is performed by way of standardized tax withholding procedure by the Domestic Paying Agent withholding such tax. The principles outlined above for church tax on dividend income (see "*18.2.2.1. Shares Held as Non-Business Assets*") apply accordingly.

The shareholder can apply for his total capital investment income, together with his other taxable income, to be subject to a progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded. Limitations on offsetting losses are applicable. Further, income-related expenses are non-deductible, except for the annual lump-sum deduction.

Shareholders who are subject to German residents' taxation and hold their shares as non-business assets may realize capital gains without deduction of tax on capital investment income and solidarity surcharge if certain prerequisites are met, particularly if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted.

If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

In case of a Qualified Holding, the capital gain deriving from the disposal of the shares is not subject to the flat-rate withholding tax, but to the progressive income tax regime. In this case, the partial income method applies to gains on the disposal of shares, which means that only 60.0% of the capital gains are subject to tax and only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his capital gains in his income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will be credited against the shareholder's income tax liability on his tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

18.3.1.2 Shares held as Business Assets

Gains on the sale of shares held as business assets of a shareholder with a tax domicile in Germany are not subject to a uniform withholding tax. Withholding tax may only be withheld if the shares are kept with a Domestic Paying Agent. Subject to certain prerequisites, the tax on capital investment income withheld and remitted to the tax authorities will be imputed towards the shareholder's income tax liability and any excess amount paid will be

refunded. Subject to certain requirements, however, the Domestic Paying Agent may refrain from deducting tax on capital investment income if (i) the shareholder is a corporation subject to German residents taxation, an association of individuals or an estate or (ii) the shares form part of the business assets of a business operation in Germany and the shareholders declare such to the Domestic Paying Agent in the officially prescribed form. Should the Domestic Paying Agent nonetheless have withheld tax on capital investment income, the tax withheld and remitted to the tax authorities (including solidarity surcharge and church tax, if applicable) will be credited against the shareholder's personal income tax or corporate income tax liability and any excess amount paid will be refunded.

The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto* pursuant to Section 27 of the German Corporation Tax Act (*Körperschaftsteuergesetz*)) reduce the original acquisition costs. In the event of disposal, a higher taxable capital gain can arise therefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

18.3.1.2.1 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the gains on the disposal of shares are, in general, effectively 95.0% exempt from corporate income tax (including the solidarity surcharge) and trade tax, regardless of the size of the participation and the holding period. 5.0% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the respective municipal authority). As a rule, losses on disposals and other profit reductions in connection with shares (for example, from a write down) cannot be deducted as business expenses.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as pension funds (see "*18.4. Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

18.3.1.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor with a tax domicile in Germany, only 60.0% of the gains on the disposal of the shares are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (partial-income method). Only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. The partial income method does not apply with respect to church tax (if applicable). If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60.0% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

18.3.1.2.3 Partnerships

If the shareholder is a partnership with a tax domicile in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partners. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "*18.3.1.2.1. Corporations*"). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see "*18.3.1.2.2. Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains on the disposal of shares are subject to trade tax at the level of a commercial or deemed commercial partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, at 60.0% as far as they are attributable to the profit share of an individual

as the partner of the partnership, and, currently, at 5.0% as far as they are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60.0% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

18.3.2 Taxation of Capital Gains of Shareholders with a non-German Tax Domicile

Capital gains derived from the disposal of shares by shareholders with no tax domicile in Germany are only subject to German tax if the selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

Pursuant to a decision of the German Federal Fiscal Court (*Bundesfinanzhof*) dated May 31, 2017 (Federal Tax Gazette (*Bundessteuerblatt*), part II of 2018, p. 144), in case of a Qualified Holding, the capital gain on the disposal of shares is not subject to German taxation if the shareholder is a corporation which is not tax resident in Germany and neither maintains a permanent establishment nor has appointed a permanent representative in Germany.

If the shareholder is an individual, only 60.0% of the gains on the disposal of the shares are subject to progressive income tax plus the solidarity surcharge thereon and church tax, if applicable. However, most double taxation treaties provide for a partial or full relief from German taxation and assign the right of taxation to the shareholder's country of residence. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25.0% (plus 5.5% solidarity surcharge thereon, resulting in an aggregate withholding tax rate of 26.375%). However, if (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then, pursuant to a tax decree issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) on January 18, 2016, the Domestic Paying Agent will in general not be required to withhold the tax on capital investment income (plus solidarity surcharge thereon). In the case of a Qualified Holding, the capital gains must be declared in a tax return and will be taxed via an assessment procedure if no exemption under a double taxation treaty or under domestic law applies.

With regard to gains or losses on the disposal of shares belonging to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the abovementioned provisions pertaining to shareholders with a tax domicile in Germany whose shares are business assets apply accordingly (see "18.3.1.2. Shares held as Business Assets"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on the officially prescribed form that the shares form part of domestic business assets and certain other requirements are met.

18.4. Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If credit institutions (*Kreditinstitute*) or financial services institutions (*Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading portfolio (*Handelsbestand*) pursuant to Section 340e(3) of the German Commercial Code (*Handelsgesetzbuch*), they will neither be able to benefit from the partial income method nor be entitled to the effective 95.0% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act (*Gesetz über das Kreditwesen*) held in the majority by credit institutions or financial services institutions and where the shares are to be allocated to the current assets (*Umlaufvermögen*) as of the date of acquisition. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service institutions and financial institutions tax resident in another Member State or in other signatory states of the Treaty on the EEA.

Likewise, the tax exemption described in Section "18.3.1.2.1. Corporations" afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95.0% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies. In addition, applicable double taxation treaties might provide further relief from German tax, subject to certain prerequisites, e.g., substance requirements and holding periods, being met.

18.5. Inheritance and Gift Tax

The transfer of shares to another person by way of inheritance or gift is generally subject to German inheritance or gift tax if:

- (i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has, prior to the transfer, not spent more than generally five consecutive years outside of Germany without maintaining a place of residence in Germany;
- (ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or
- (iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10.0% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

18.6. Abolishment of Solidarity Surcharge

On December 13, 2019, the law regarding a significant reduction of the solidarity surcharge (*Gesetz zur Rückführung des Solidaritätszuschlags 1995*) came into force. Even though, this new law has no impact on the solidarity surcharge levied in addition to the withholding tax, it can affect the solidarity surcharge levied on the income tax liability which the withholding tax is credited against, as the case may be. According to this new law the threshold as of which solidarity surcharge is levied will be significantly increased, so that the solidarity surcharge shall be abolished in full for approximately 90% of the German taxpayers and partly for a further 6.5% of German taxpayers. The new rules apply as of 2021. Shareholders are advised to monitor further future developments.

18.7. Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties, or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**") to be implemented in Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia, Slovenia (the "**Participating Member States**") and Estonia, that has stated in 2015 that it will not participate in implementing the proposed FTT.

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The Draft Directive focused on levying a FTT on financial transactions (as defined in the Draft Directive), including the purchase, sale and exchange of financial instruments. Under the Draft Directive, the rate of the FTT would not be lower than 0.1% (0.01% for derivatives), generally based on the amount of the paid or owed consideration or in case of derivatives, the notional amount

referred to in the derivatives contract at the time of the financial transaction. The issuance should, however, be exempt.

Since the date of the publication of the Draft Directive, discussions have taken place between the Participating Member States. In its statement dated May 25, 2020, the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) announced that the legal framework for the FTT was well advanced and that it expected the legal framework to be finalized in the second half of 2020. The FTT is furthermore expected to be modelled on the existing French FTT legislation. Consequently, the FTT is expected to apply to the acquisition of shares in domestic companies with a market capitalization of more than EUR 1 billion and at a rate of 0.2%.

Nevertheless, the FTT remains subject to negotiation between the Participating Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and altered prior to its adoption. Moreover, once any directive has been adopted, it will need to be implemented into the respective domestic laws of the Participating Member States, and the domestic provisions implementing the directive might deviate from the directive itself. Finally, additional Member States may decide to participate in or to dismiss the implementation.

Prospective holders of the shares should consult their own tax advisers in relation to the consequences of the FTT.

19. FINANCIAL INFORMATION

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**English-language Translation of the German-language
Audited Consolidated Financial Statements
of Friedrich Vorwerk Group SE
Prepared in Accordance with IFRS
as of and for the Fiscal Year Ended December 31, 2020**

IFRS Consolidated Financial Statements for 2020

IFRS consolidated statement of profit or loss	Note	01/01 - 31/12/2020	01/01 - 31/12/2019
		€k	€k
Revenue	III.1.	291,791	179,331
Increase (+), (-) in finished goods and work in progress		8	557
Operating performance		291,799	179,887
Income from initial consolidation		0	5,143
Income from joint ventures	III.2.	10,551	4,185
Other operating income	III.3.	3,571	1,510
Total performance		305,921	190,725
Cost of raw materials and supplies		-25,213	-13,320
Cost of purchased services		-103,262	-69,157
Cost of materials	III.4.	-128,474	-82,476
Wages and salaries		-70,030	-40,531
Social security and pension costs		-19,416	-11,060
Staff costs	III.5.	-89,446	-51,591
Other operating expenses	III.6.	-29,179	-14,851
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		58,822	41,807
Depreciation and amortisation	II.1.	-11,354	-7,976
Earnings before interest and taxes (EBIT)		47,468	33,831
Other interest and similar income	III.7.	115	119
Interest and similar expenses	III.8.	-1,005	-853
Earnings attributable to non-controlling interests	III.8.	-3,857	0
Net finance costs		-4,747	-734
Earnings before taxes (EBT)		42,721	33,097
Income tax expense	III.9.	-11,872	-4,539
Other taxes	III.9.	-290	-173
Consolidated net profit		30,559	28,385

IFRS consolidated statement of comprehensive income

IFRS consolidated statement of comprehensive income	Note	01/01 - 31/12/2020	01/01 - 31/12/2019
		€k	€k
Consolidated net profit		30,559	28,385
Items that not may subsequently reclassified to profit and loss			
Pension reserve	II.10.3	-25	-59
thereof deferred taxes		18	8
Other comprehensive income after taxes		-7	-52
Comprehensive income for the reporting period		30,552	28,333

IFRS consolidated statement of financial position

Statement of financial position	Note	31/12/2020	31/12/2019
Assets (IFRS)		audited	audited
		€k	€k
Non-current assets			
Concessions, industrial property rights and similar rights	II.2.	265	174
Intangible assets		265	174
Land and buildings including buildings on third-party land	II.3.	17,566	18,237
Technical equipment and machinery	II.3.	22,208	20,483
Other equipment, operating and office equipment	II.3.	10,807	9,957
Advance payments and assets under development	II.3.	9,238	136
Property, plant and equipment		59,820	48,814
Investments in joint ventures and associates	II.4.	5,403	6,484
Financial assets		5,403	6,485
Deferred tax assets	II.9.	6,521	5,797
		72,009	61,270
Current assets			
Raw materials and supplies	II.5.	4,374	3,201
Work in progress	II.5.	565	557
Inventories		4,938	3,757
Trade receivables	II.6.	20,931	24,568
Contract assets	II.7.	27,821	20,272
Other current assets	II.8.	5,959	5,238
Trade receivables and other current assets		54,711	50,078
Cash in hand	V.	50	52
Bank balances	V.	45,204	52,310
Cash in hand, bank balances		45,254	52,361
		104,903	106,197
Total assets		176,912	167,466

Statement of financial position	Note	31/12/2020	31/12/2019
Equity and liabilities (IFRS)		audited	audited
		€k	€k
Equity			
Issued capital	II.10.1	3,120	2,000
Reserves	II.10.2	6,739	11,556
Retained earnings and other reserves	II.10.3	53,744	24,325
		63,604	37,880
Non-current liabilities			
Liabilities to banks	II.12.	6,864	7,354
Liabilities to non-controlling interests	II.12.	7,050	2,812
Liabilities from participation rights	II.12.	10,213	9,963
Lease liabilities	II.15.	4,210	7,620
Pension provisions	II.11.	427	417
Deferred tax liabilities	II.9.	14,029	9,129
		42,793	37,295
Current liabilities			
Liabilities to banks	II.12.	1,466	1,320
Contract liabilities	II.12.	17,819	21,510
Trade payables	II.12.	2,019	6,083
Liabilities to non-controlling interests	II.12.	4,924	15,878
Other liabilities	II.13.	7,096	14,773
Lease liabilities	II.15.	4,863	4,239
Provisions with the nature of a liability	II.14.1	15,729	20,454
Tax provisions	II.14.2	8,234	4,071
Other provisions	II.14.1	8,367	3,961
		70,515	92,291
Total equity and liabilities		176,912	167,466

IFRS consolidated statement of cash flows

Consolidated statement of cash flows	01/01 - 31/12/2020	01/01 - 31/12/2019
	€k	€k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	47,468	33,831
Adjustments for non-cash transactions:		
Depreciation and amortisation	11,354	7,976
Increase (+), decrease (-) in provisions	4,391	997
Losses (+), gains (-) from disposal of PPE	58	631
Results from joint ventures	-10,551	-4,185
Other non-cash expenses and income	-25	-5,151
	5,227	269
Change in working capital:		
Increase (-), decrease (+) in inventories, trade receivables and other assets	-5,789	5,138
Decrease (-), increase (+) in trade payables and other liabilities	-20,055	18,508
	-25,843	23,646
Income taxes paid	-4,664	-1,349
Interest received	115	119
Incoming payments from dividends from joint ventures	11,016	2,638
	6,467	1,408
Cash flow from operating activities	33,319	59,153
2. Cash flow from investing activities		
Investments (-), divestments (+) of intangible assets	-203	-24
Investments (-), divestments (+) in property, plant and equipment	-20,199	-5,408
Business combinations (less cash received)	0	1,414
Cash flow from investing activities	-20,402	-4,018
3. Cash flow from financing activities		
Profit distribution to shareholders	-12,445	-7,879
Payments to non-controlling interests	-1,626	0
Proceeds from borrowing financial loans	850	21,000
Repayments of financial loans	-1,384	-20,652
Payments on lease liabilities	-4,811	-3,411
Interest payments	-729	-678
Cash flow from financing activities	-20,144	-11,619
Cash and cash equivalents at end of period		
Change in cash and cash equivalents	-7,228	43,516
Change in cash due to changes in the consolidated group	120	0
Cash and cash equivalents at start of period	52,361	8,845
Cash and cash equivalents at end of period	45,254	52,361
Composition of cash and cash equivalents		
Cash in hand	50	52
Bank balances	45,204	52,310

IFRS statement of changes in consolidated equity

Statement of changes in consolidated equity					
	Issued capital	Reserves	Retained earnings		Consolidated equity
			Pension reserve	Generated consolidated equity	
	€k	€k	€k	€k	€k
01/01/2019	2,000	11,556	-8	10,113	23,661
Amounts credited to shareholder accounts	0	0	0	-14,113	-14,113
Subtotal	2,000	11,556	-8	-4,000	9,548
Amounts recognised in other comprehensive income	0	0	-52	0	-52
Consolidated net profit	0	0	0	28,385	28,385
Total comprehensive income	0	0	-52	28,385	28,333
31/12/2019	2,000	11,556	-59	24,384	37,880
Reorganisation of the company structure	1,120	-4,817	0	-1,133	-4,829
Subtotal	3,120	6,739	-59	23,251	33,051
Amounts recognised in other comprehensive income	0	0	-7	0	-7
Consolidated net profit	0	0	0	30,559	30,559
Total comprehensive income	0	0	-7	30,559	30,552
31/12/2020	3,120	6,739	-66	53,810	63,604

Notes to the Consolidated Financial Statements for 2020

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

Friedrich Vorwerk Group SE is headquartered at Niedersachsenstrasse 19-21, 21255 Tostedt, Germany. It is entered in the commercial register of the Tostedt District Court under HRB 208170. It is the parent company of the Vorwerk Group.

The Vorwerk Group is a medium-sized group whose business model essentially comprises designing, creating and operating energy infrastructure.

The consolidated financial statements of Friedrich Vorwerk Group SE for the 2020 financial year will be approved by the Supervisory Board of Friedrich Vorwerk Group SE on 6 February 2021.

The company structure above the level of Friedrich Vorwerk SE & Co. KG (formerly: Friedrich Vorwerk KG (GmbH & Co.)), Tostedt, was changed in the past financial year. In the period under review, the limited partners MBB SE, Berlin, and ALX Beteiligungsgesellschaft mbH, Tostedt, contributed 89.925% in total of the shares in the previous parent company of the Vorwerk Group, Friedrich Vorwerk SE & Co. KG, to Friedrich Vorwerk Group SE, which thereby became the new parent company of the Vorwerk Group. Torben Kleinfeld holds a majority stake in the ALX Beteiligungsgesellschaft mbH. This reorganisation of the company structure is a capital reorganisation that does not fall within the scope of IFRS 3. The assets and liabilities of Friedrich Vorwerk SE & Co. KG are carried at book value. In the comparative period, the carrying amounts of the assets, liabilities and equity of Friedrich Vorwerk SE & Co. KG are shown until the date of the reorganisation. The legal equity of Friedrich Vorwerk Group SE is reported from the date of restructuring onwards. Acquisition accounting differences arising from the reorganisation were offset against reserves. The remaining limited partnership shares (10.075%) in Friedrich Vorwerk SE & Co. KG were not contributed to Friedrich Vorwerk Group SE. The corresponding share of the net assets of Friedrich Vorwerk SE & Co. KG was reclassified to liabilities to non-controlling interests. Of the remaining limited partnership shares, 10% are attributable to Irene Vorwerk, the widow of the founder of the Vorwerk Group, 0.05% to MBB SE, and the final 0.025% are held by the ALX Beteiligungsgesellschaft mbH.

1.2 Accounting policies

The consolidated financial statements of Vorwerk Group for the period ended 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted in the European Union (EU). 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 Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

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

Regulation	Title	Effect
IFRS 3	Amendment – Definition of a Business	none
IFRS 9	Amendment – Interest Rate Benchmark Reform	none
IAS 1	Amendment – Definition of Material	none
	Revised IFRS Conceptual Framework	none

The following newly issued standards, standards endorsed by the EU Commission 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 the Vorwerk Group, their future effect on the consolidated financial statements is still being examined or is not material.

Regulation	Title	Application	Effect
IFRS 17	Insurance Contracts	01/01/2023	no material effects
IAS 1	Amendment – Classification of Liabilities	01/01/2023	no material effects
IFRS 3	Amendments – References to the Conceptual Framework	01/01/2022	no material effects
	Annual Improvements to IFRSs 2018–2020 Cycle	01/01/2022	no material effects
IAS 16	Amendment – Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022	no material effects
IAS 37	Amendment – Onerous Contracts: Cost of Fulfilling a Contract	01/01/2022	no material effects
Various	Amendment – Interest Rate Benchmark Reform	01/01/2021	no material effects
IFRS 4	Amendment – Deferral of IFRS 9	01/01/2021	no material effects
IFRS 16	Amendment – COVID-19-Related Rent Concessions	01.06.2020	no material effects

1.3 Business combinations

There were no business combinations in the 2020 financial year.

All shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, were acquired in the previous year. This business combination resulted in negative goodwill of €5,143 thousand.

1.4 Company law changes and structural changes in 2020

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

Please refer to 1.1 for further details of company law changes and structural changes.

2. Consolidated group

In addition to the parent company Friedrich Vorwerk Group 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	Shareholding
Name and registered office of the company	in %
Subsidiaries (consolidated)	
Friedrich Vorwerk Management SE, Tostedt, Germany	100.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Deutschland	89.93
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	89.93
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	89.93
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	89.93
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	89.93
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	89.93
European Pipeline Services GmbH, Tostedt, Germany	89.93
Vorwerk - ASA GmbH, Herne, Germany	89.93
Vorwerk-EEE GmbH, Tostedt, Germany	89.93
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	89.93
Vorwerk Verwaltungs GmbH, Tostedt, Germany	89.93

The following table shows the associates and joint ventures included in the consolidated financial statements. The ownership interests are shown from the sub-group perspective of Friedrich Vorwerk SE & Co. KG.

Name and registered office of the company	Ownership interest in %
Joint ventures (working groups)	
ARGE Austausch von Knotenpunkten	30.00
ARGE Bavaria Loop Nord	33.33
ARGE Bavaria Loop Süd	33.33
ARGE Bühneninstandsetzung Wangerooge 2019	50.00
ARGE CCP II Step 1	50.00
ARGE CCP-Projekt Rühlersmoor	50.00
ARGE DOW Ohrensen K28	50.00
ARGE EGL 442	58.00
ARGE EmCo KÜA	50.00
ARGE ETL 178 Walle - Wolfsburg	50.00
ARGE EUGAL Lots 7+8	37.50
ARGE FWT HafenCity/Peute	50.00
ARGE Kabeltrasse GSH	40.00
ARGE Katharina	50.00
ARGE Looleitung Epe-Legten	35.00
ARGE LSR Lot 2	50.00
ARGE NEL Niedersachsen	33.33
ARGE NEP Werne RB	33.33
ARGE Neubau B71n Wedringen	50.00
ARGE NWKG K113/K311	50.00
ARGE NWKG K301/K603	50.00
ARGE NWKG K302/K308	50.00
ARGE Reha Südfeld Lot 2 BA 3+4	33.33
ARGE Storag Etzel Reha Südfeld II, 2. BA	50.00
ARGE STORAG ETZEL VT 8/VT 16	50.00
ARGE TG Ochtrup Wester II	50.00
ARGE Umlegungen Gießen	50.00
ARGE Umverlegung A1 Leverkusen	50.00
ARGE Umverlegung Quartier Klosterwall	32.00
ARGE VS Würselen - MCC-I	45.00
ARGE VS Würselen - Vorabmaßnahmen	50.00
ARGE Werne-Schlüchtern	50.00
ARGE Zeelink 3+5	50.00
Dach-ARGE BAB7 Medientunnel - Lot 2	73.00
Dach-ARGE DolWin 6	45.60
Dach-ARGE EUGAL Lots 5+6	53.35
Dach-ARGE Fernwärme Trasse 60	30.00
Dach-ARGE GDRM Anlagen Zeelink	50.00
Dach-ARGE HD-Leitung Iserlohn	52.34
Dach-ARGE Mantelrohrausbau	50.00
Dach-ARGE Neubau B71n Wedringen	50.00
Dach-ARGE Pipelinesanierung Gascade 2019/2020	50.00
Dach-ARGE Rückbau Altleitungen NFL LU 2017/2018	50.00
Dach-ARGE San. FGL 86 JS 2019/2020	51.00
Dach-ARGE Sanierung FGL 301	50.00
Dach-ARGE Sanierung FGL 301, NB West, LU 2018	51.24
Dach ARGE Sanierungsarbeiten Pipelinenetz GASCADE 2017-2018	50.00
Dach-ARGE Spülbohrung Coca-Cola Lot 3	65.00
Dach-ARGE Stadtbeleuchtung	50.00

Name and registered office of the company	Ownership interest in %
Dach-ARGE TAV	50.00
Dach-ARGE Technische Dienstleistung Gasunie Deutschland	33.33
Dach-ARGE Teilneubau FGL 61, NB West Archäologischer Oberbodenabtrag, BA 1-8	66.66
Dach-ARGE Thyssengas STEAG Leitung	63.70
Dach-ARGE Uferrenaturierung Asseler Sand	37.79
Dach-ARGE Umlegung Leitung No. 6	50.00
Dach-ARGE ZEELINK Lots 3 - 5	25.00
Associates	
SKS Straßenbau GmbH, Tostedt, Deutschland	50.00

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of Friedrich Vorwerk Group 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 Friedrich Vorwerk Group 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 cease to be consolidated from the date that control ceases.

Acquisition accounting is performed using the acquisition 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 Associates

Companies in which the Vorwerk Group holds an interest in the share capital of between 20.0% and 50.0% are usually classified as an associate if the Vorwerk Group has significant influence but does not control them. Companies in which the Vorwerk Group holds an interest in the share capital of between 20.0% and 50.0% are consolidated if the Vorwerk Group exercises a controlling influence.

Associated companies are included in the consolidated financial statements using the equity method. Under this method, 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 generally 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 memo 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.

Associated companies 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 exists 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 the Vorwerk Group 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 particularly common in Germany. 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 income from equity investments. In particular, receivables from and liabilities to working groups include cash receipts and payments and cost allocations, and are reported under trade receivables and other liabilities.

4. Presentation of accounting policies

4.1 General information

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. The functional currency of all Group companies is the euro. 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.

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.

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.

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 three to five 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.

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: 5 to 50 years
- Technical equipment and machinery: 1 to 21 years
- Other office equipment: 2 to 23 years

Land is not depreciated.

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

If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are 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.

As a lessee, the Group recognises 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. The Vorwerk Group 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.

The Vorwerk Group 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, the Vorwerk Group is the lessor if the Group company agrees subleases for properties with third parties. These leases are not material to the company's consolidated financial statements.

The Vorwerk Group 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 statement of profit and loss 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 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)

Financial assets recognised in the consolidated financial statements of the Vorwerk Group are exclusively classified as financial assets measured at amortised cost. 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.

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.

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 and 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 not designated any 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 effective interest rate (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. EIR amortisation is shown in the statement of profit and loss as under finance costs.

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 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 commodity swaps, to hedge commodity price risks from current and future transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. 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 planned consumption 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

Revenue in the Energy Grids unit

In accordance with IFRS 15, revenue from the Energy Grids unit is recognised over time as the projects are built on the customers' land, and the customers therefore always have control of the assets created or improved. Work 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 Vorwerk Group uses the value of a contract agreed with the principal to determine the transaction price for projects.

Revenue from these projects is recognised over time using the output method on the basis of work performed to date. The work performed and the corresponding revenue to be recognized is measured at individual line item level and according to the cost estimate detailed in the work plan. 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 project team each month.

Contract assets represent the Group's claims to consideration from contracts with customers. If the contract asset for a project 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 energy grid projects are typically made in line with performance on the basis of regular invoices. Advance payments before commencement of work are common in some areas of the Energy Transformation unit.

If it is likely that the project 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 at project sites are reported separately under inventories. Work already invoiced is recognised under trade receivables.

Supplementary work in connection with these 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.

Revenue in the Energy Transformation unit

The consideration for revenue in the Energy Transformation unit, which is recognised over time on the basis of work already performed as at the end of the reporting period, is recognised under "Contract assets". The contract assets represent the Group's claim.

Revenue is recognised over 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 revenue from the Energy Grids unit apply to the Energy Transformation unit as well.

Advance payments are deducted from the contract asset. If the advances received exceed the contract asset, they are reported under "Contract liabilities".

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 statement of profit and loss 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 reflecting the passage of 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

Pension obligations are recognised 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 contracts with customers (Energy Grids)

Revenue from 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 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 from the further course of the project are taken into account by means of appropriate write-downs.

Revenue from projects in the Energy Transformation unit

Revenue in the Energy Transformation unit is recognised over time on the basis of the work performed by the end of the reporting period, if a contractual arrangement precludes the Vorwerk 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.

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.

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. 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 Vorwerk Group 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 work already performed, total contract costs, costs to be incurred until completion, total contract revenue, contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary.

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 Vorwerk Group as at 31 December 2020

	Total cost	Additions in the financial year	Reclassification	Disposals in the financial year	Write-downs in the financial year	Carrying amount at the end of financial year	Carrying amount at the end of previous year	Depreciation and amortisation in the financial year	Disposals of write-downs
31/12/2020	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets									
1. Concessions, industrial property rights and similar rights	243	203	0	0	190	256	129	76	0
2. Order backlog	828	0	0	0	819	9	45	36	0
	1,071	203	0	0	1,009	265	174	112	0
II. Property, plant and equipment									
1. Land and buildings including buildings on third-party land	19,866	2,693	567	3,295	2,265	17,566	18,237	969	-333
2. Technical equipment and machinery	28,510	8,349	49	2,701	11,998	22,208	20,483	6,334	-2,362
3. Other equipment, operating and office equipment	14,794	4,959	72	2,254	6,763	10,807	9,957	3,876	-1,949
4. Advance payments and assets under development	136	9,789	-688	0	0	9,238	136	0	0
	63,306	25,790	0	8,250	21,026	59,820	48,814	11,179	-4,644
Total	64,377	25,993	0	8,250	22,035	60,085	48,988	11,291	-4,644

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

	Total cost	Additions in the fi- nancial year	Business acqui- sition €k	Reclassifi- cation	Disposals in the fi- nancial year	Write-downs in the fi- nancial year	Carrying amount at the end of fi- nancial year €k	Carrying amount at the end of previous year €k	Depreciation and amorti- sation in the finan- cial year	Disposals of write- downs
31/12/2019	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets										
1. Concessions, industrial property rights and similar rights	200	24	18	0	0	114	129	141	54	0
2. Order backlog	780	0	48	0	0	784	45	151	154	0
	980	24	66	0	0	897	174	292	209	0
II. Property, plant and equipment										
1. Land and buildings including buildings on third-party land	16,013	1,306	3,223	59	735	1,629	18,237	15,149	765	0
2. Technical equipment and machinery	16,266	5,004	7,417	-57	120	8,026	20,483	12,550	4,310	0
3. Other equipment, operating and office equipment	9,987	2,851	2,010	-2	52	4,837	9,957	7,828	2,680	-3
4. Advance payments and assets under development	76	38	22	0	0	0	136	76	0	0
	42,343	9,199	12,671	0	907	14,492	48,814	35,603	7,755	-3
Total	43,323	9,223	12,738	0	907	15,389	48,988	35,895	7,964	-3

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, depreciation and amortisation would have amounted to €10,829 thousand in the 2019 financial year.

2. Intangible assets

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

3. 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 for qualifying assets were not recognised in either the year under review or the previous year.

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

Right-of-use assets	31/12/2020	31/12/2019
	€k	€k
Land and buildings	235	3,440
Technical equipment and machinery	5,788	3,950
Other equipment, operating and office equipment	1,187	1,796
Total	7,209	9,186

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 €5,173 thousand in the 2020 financial year (previous year: €6,172 thousand), €0 thousand (previous year: €5,354 thousand) of which relates to business combinations.

4. Financial assets

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

At-equity financial assets	31/12/2020	31/12/2019
	€k	€k
Carrying amount as at 1 Jan.	6,484	1,621
Additions to consolidated group	0	2,504
Additions and disposals during the period	-75	75
Proportionate annual results	10,072	4,935
Reversal of hidden reserves	-62	-12
Distributions	-11,016	-2,638
Carrying amount as at 31 Dec.	5,403	6,484

The financial assets exclusively comprise investments in working groups.

Working group disclosures

In the Group, working groups are classified as joint ventures and their results are reported in the result from equity investments. The table below shows the ten biggest working groups in terms of performance for the 2020 financial year.

Working groups	Ownership interest in %
(DZ3) Dach-ARGE ZEELINK Lots 3 - 5	25.00
(AZ3) ARGE Zeelink 3+5	50.00
(TSL) Dach-ARGE Thyssengas STEAG Leitung	63.70
(E78) ARGE EUGAL Lots 7+8	37.50
(442) ARGE EGL 442	58.00
(E56) Dach-ARGE EUGAL Lots 5+6	53.35
(VWV) ARGE VS Würselen - MCC-I	45.00
(RH2) ARGE Reha Südfeld Lot 2 BA 3+4	33.33
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00
(KÜA) ARGE EmCo KÜA	50.00

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

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

5. Inventories

Inventories	31/12/2020 €k	31/12/2019 €k
Raw materials and supplies	4,374	3,201
Work in progress	565	557
Carrying amount as at 31 Dec.	4,938	3,757

Impairment losses of €176 thousand were recognised on inventories in the period under review (previous year: €53 thousand). Impairment losses on inventories were reversed in the amount of €27 thousand (previous year: €6 thousand).

6. Trade receivables

	31/12/2020	31/12/2019
	€k	€k
Trade receivables	16,957	18,822
Receivables from working groups	4,241	6,118
Less specific valuation allowances	-255	-359
Less expected credit loss	-13	-12
Carrying amount as at 31 Dec.	20,931	24,568

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.

7. Contract assets and contract liabilities

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

	31/12/2020	31/12/2019
	€k	€k
Gross contract assets	251,828	187,116
thereon advance payments	-224,007	-166,844
Contract assets	27,821	20,272
Contract liabilities (incl. advance payments)	17,819	21,510

No costs of contract initiation or contract fulfilment were capitalised as separate assets in the financial year (previous year: none).

8. Other current assets

Other assets maturing within one year break down as follows:

	31/12/2020	31/12/2019
	€k	€k
Tax receivables	457	520
Receivables from related companies	1,533	2,679
Prepaid expenses	210	163
Receivables from personnel	2,349	1,101
Other current assets	1,409	776
Carrying amount as at 31 Dec.	5,959	5,238

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €244 thousand (31 December 2019: €516 thousand) and input tax refunds of €214 thousand (31 December 2019: €4 thousand). The receivables from related companies are for receivables from SKS Straßenbau GmbH, Tostedt. Receivables from personnel are essentially for employee loans.

9. Deferred taxes

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

	31/12/2020	31/12/2019
	€k	€k
Deferred tax assets	6,521	5,797
Deferred tax liabilities	14,029	9,129
Total	-7,508	-3,332

	31/12/2020	31/12/2019
	€k	€k
Temporary differences from:		
Provisions for pensions	59	25
Intangible assets	3,284	3,569
Financial assets	119	41
Liabilities	3,301	2,428
Property, plant and equipment	1,063	0
Provisions	0	154
Receivables	476	42
Others	2	318
Netting	-1,782	-781
Deferred tax assets	6,521	5,797

	31/12/2020	31/12/2019
	€k	€k
Temporary differences from:		
Receivables	10,239	5,004
Property, plant and equipment	3,986	3,459
Financial assets	1,551	1,351
Provisions	0	0
Inventories	0	33
Others	34	63
Netting	-1,782	-781
Deferred tax liabilities	14,029	9,129

10. Equity

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

10.1 Issued capital

The issued capital of the Vorwerk Group amounts to €3,120 thousand as at the end of the reporting period (previous year: €2,000 thousand). As at 31 December 2019, the issued capital of the Group of €2,000 thousand consisted of the limited liability capital of Friedrich Vorwerk SE & Co. KG.

Friedrich Vorwerk Group SE was acquired by MBB SE, Berlin, and ALX Beteiligungsgesellschaft mbH, Tostedt, as a shelf company on 7 July 2020. By way of resolution of the Annual General Meeting on 25 September 2020, the share capital was increased from €120,000 to €3,120,000 by issuing 3,000,000

new no-par-value shares with a notional interest in the share capital of €1.00 in return for non-cash contributions by MBB SE and ALX Beteiligungsgesellschaft mbH. This was not a business combination as referred to by IFRS 3 as it was a merger under joint control.

10.2 Reserves

Reserves amount to €6,739 thousand as at the end of the reporting period (31 December 2019: €11,556 thousand). The reserves were reduced in conjunction with the reorganisation under company law. This essentially relates to the first-time qualification of non-controlling interests at the level of Friedrich Vorwerk SE & Co. KG. Differences arising from the adjusted representation of the subscribed capital of the Friedrich Vorwerk Group SE were offset against reserves.

10.3 Retained earnings and other reserves

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.

Revenue reserves

This item comprises the gains generated by the Group less distributed profits.

11. Provisions for pensions and similar obligations

The pension obligation in conjunction with defined benefit pension plan relates to Friedrich Vorwerk SE & Co. KG. It comprises claims to a lifetime old-age pension together with survivors' benefits equal to the amount of the provision in the financial accounts as at the end of the month of death. There is one person drawing a pension under the plan as at 31 December 2020 (31 December 2019: one). The pension agreement is closed, meaning that no further occupational pension agreements are entered into for new appointments.

	31/12/2020	31/12/2019
	€k	€k
Pension provisions at beginning of the financial year	417	368
Utilisation	-17	-16
Addition to provisions (interest cost)	2	6
Actuarial gains (-)/losses (+)	25	59
Pension provisions at end of the financial year	427	417
- Plan assets	0	0
Pension provision recognised in the statement of financial position	427	417

The following actuarial assumptions were applied:

	2020	2019
Actuarial interest rate	0.20%	0.55%
Salary trend	0.00%	0.00%
Pension trend	2.00%	2.00%

The post-employment benefit plan is unfunded. The liability is equal to the obligation (DBO).

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

	31/12/2020	31/12/2019
	€k	€k
Addition to provisions (service cost)	0	0
Addition to provisions (interest cost)	-2	-6
Total	-2	-6

The expected pension payments from the pension plans for 2021 amount to €17 thousand.

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Interest rate	0.25%	-3.3%	+3.4%
Pension growth rate	0.25%	+3.3%	-3.1%
Life expectancy	+ 1 year	+5.3%	-

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.

12. Liabilities

The liabilities mature as follows:

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
31/12/2020	€k	€k	€k	€k
Liabilities to banks	1,466	6,488	376	8,330
Trade payables	2,019	0	0	2,019
Provisions with the nature of a liability	15,729	0	0	15,729
Other liabilities	7,096	0	0	7,096
Contract liabilities	17,819	0	0	17,819
Lease liabilities	4,863	4,210	0	9,073
Liabilities to non-controlling interests	4,924	2,812	4,238	11,973
Liabilities from participation rights	0	0	10,213	10,213
As at 31/12/2020	53,916	13,510	14,827	82,251

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
31/12/2019	€k	€k	€k	€k
Liabilities to banks	1,320	4,492	2,863	8,674
Trade payables	6,083	0	0	6,083
Provisions with the nature of a liability	20,454	0	0	20,454
Other liabilities	14,773	0	0	14,773
Contract liabilities	21,510	0	0	21,510
Lease liabilities	4,239	5,926	1,694	11,859
Liabilities to non-controlling interests	15,878	0	2,812	18,690
Liabilities from participation rights	0	0	9,963	9,963
As at 31 Dec 2019	84,257	10,418	17,332	112,008

Liabilities to banks have both fixed and floating interest rates of between 0.55% and 2.65% (previous year: 0.55% and 3.47%). The weighted average interest rate for 2020 is 1.24% (previous year: 1.28%).

Land and buildings were pledged as collateral. The carrying amount of the pledged assets was €4,566 thousand (31 December 2019: €3,666 thousand) as at the end of the reporting period, €4,566 thousand of which relates to property, plant and equipment (31 December 2019: €3,666 thousand).

As at the end of the reporting period, there is profit participation capital of €10,213 thousand in total (31 December 2019: €9,963 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the profitability of the Vorwerk Group in the form of floating-rate interest. The total interest rate on profit participation rights was 4.0% in the period under review (previous year: 3.6%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

Liabilities to non-controlling interests comprise profit shares and a long-term shareholder loan. The claims to profit shares that can be withdrawn are reported as current.

13. Other liabilities

Other liabilities break down as follows:

	31/12/2020	31/12/2019
	€k	€k
Short term		
Value added tax	3,129	6,908
Wages and salaries	542	2,254
Working groups	2,374	4,304
Wage tax	191	153
Prepaid expenses	1	0
Social security benefits	423	587
Debtors with credit balances	134	70
Miscellaneous	301	496
Total	7,096	14,773

14. Provisions

14.1 Other provisions

Current provisions and provisions with the nature of a liability are composed as follows:

	31 / 12 2019 €k	Reclassifi- cation €k	Utilisation €k	Reversal €k	Addition €k	31 / 12 2020 €k
Accruals and short term						
Outstanding invoices	17,967	-2,062	-15,882	0	11,050	11,073
Provisions for subsequent costs	0	0	0	0	3,879	3,879
Holiday	2,808	0	-2,747	-37	3,294	3,319
Personnel cost	753	0	-478	-88	196	383
Warranty costs	1,061	0	-54	-17	923	1,914
Variable salary and commission	248	0	-169	-49	829	859
Accounting and audit costs	360	0	-225	-7	352	480
Provision for onerous contracts	0	0	0	0	58	58
Legal disputes and damage repair	0	2,062	-1,150	-52	166	1,026
Employers' liability insurance association	716	0	-442	-74	311	511
Flexitime	344	0	-135	0	227	435
Miscellaneous	159	0	-6	0	5	158
	24,416	0	-21,287	-323	21,290	24,096

	31 / 12 2018 €k	First-time consoli- dation €k	Utilisation €k	Reversal €k	Addition €k	31 / 12 2019 €k
Accruals and short term						
Outstanding invoices	1,417	8,061	-870	-50	9,409	17,967
Provisions for subsequent costs	0	1,687	-1,602	-85	0	0
Holiday	1,909	1,001	-2,083	-37	2,017	2,808
Personnel cost	0	491	-12	-39	312	753
Warranty costs	533	274	-3	-6	264	1,061
Variable salary and commission	0	221	0	-27	54	248
Accounting and audit costs	123	95	-113	-1	256	360
Provision for onerous contracts	0	3	-3	0	0	0
Legal disputes and damage repair	0	0	0	0	0	0
Employers' liability insurance association	143	20	-129	-14	696	716
Flexitime	0	356	-13	0	0	344
Miscellaneous	232	82	0	-217	62	159
	4,357	12,291	-4,826	-475	13,069	24,416

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

14.2 Tax provisions

Tax provisions break down as follows:

	31/12/2020	31/12/2019
	€k	€k
Corporate income tax	3,247	388
Trade income tax	4,986	3,683
Carrying amount as at 31 Dec.	8,234	4,071

15. Leases

Right-of-use-assets	31/12/2020	31/12/2019
	€k	€k
Land and buildings	236	3,442
Technical equipment and machinery	5,810	3,968
Other equipment, operating and office equipment	1,193	1,803
Total	7,239	9,213

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

Lease liabilities	31/12/2020	31/12/2019
	€k	€k
Long term	4,210	7,620
Short term	4,863	4,239
Total	9,073	11,859

The following amounts were recognised in the consolidated statement of profit and loss in connection with leases in the 2020 and 2019 financial years:

Amounts recognised in the consolidated statement of profit and loss	2020	2019
	€k	€k
Depreciation and amortisation	4,664	3,084
thereof land and buildings	415	66
thereof technical equipment and machinery	3,305	2,447
thereof other equipment, operating and office equipment	944	571
Interest expense	121	72
Expenses for short-term leases	9,982	2,494
Total	14,767	5,650

The cash outflows for leases (including payments for short-term and low-value leases) amount to €14,914 thousand in total in the 2020 financial year (previous year: €5,977 thousand).

III. Notes to the statement of profit and loss

1. Revenue

Revenue amounts to €291,791 thousand in the 2020 financial year (previous year: €179,331 thousand).

The following table shows revenue broken down by region:

Region	2020 €k	2019 €k
Germany	278,261	176,021
Europe ex Germany	4,960	2,897
Miscellaneous	8,570	413
Total	291,791	179,331

16.9% of revenue (previous year: 13.3%) relates to Service & Operations.

The development in revenue has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their revenue was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, consolidated revenue would have amounted to €277,013 thousand in the 2019 financial year.

The Group has an order backlog of €306.5 million as at 31 December 2020, which is divided among the segments as follows:

Segment	31/12/2020 €k	31/12/2019 €k
Natural Gas	224,324	228,555
Electricity	38,344	34,340
Clean Hydrogen	21,362	6,763
Adjacent Opportunities	22,478	16,117
Total	306,508	285,775

2. Income from joint ventures

	2020 €k	2019 €k
Results from joint ventures recognised in financial assets	10,072	4,935
Results from joint ventures recognised in receivables and liabilities	479	-750
Total	10,551	4,185

Shares of the Vorwerk Group in cumulative profits from working groups classified as joint ventures are reported in financial assets under equity investments. The Vorwerk Group's proceeds from trade receivables from/work done for working groups are recognised under revenue. The capital paid in to a working group is reported together with any trade receivables from the working groups after deduction of capital withdrawals and cumulative losses under trade receivables or, if the net amount is negative, under other liabilities.

The development in income from equity investments has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH,

Wiesmoor, on 10 December 2019. Their income was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, income from equity investments would have amounted to €5,678 thousand in the 2019 financial year.

3. Other operating income

	2020 €k	2019 €k
Income from own work capitalised	176	54
Income from the reversal of provisions	323	475
Income from offsetting remuneration in kind	559	520
Income from insurance compensation	316	43
Prior-period income	4	0
Income from exchange rate gains	42	61
Income from other items	2,150	357
Total	3,571	1,510

The development in other operating income has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their income was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, other operating income would have amounted to €2,098 thousand in the 2019 financial year.

4. Cost of materials

	2020 €k	2019 €k
Cost of raw materials and supplies	-25,213	-13,320
Cost of purchased services	-103,262	-69,157
Total	-128,474	-82,476

The development in the cost of materials has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, the cost of raw materials, consumables and supplies would have amounted to €24,535 thousand and costs of purchased services to €97,347 thousand in the 2019 financial year.

5. Staff costs

	2020 €k	2019 €k
Wages and salaries	-70,030	-40,531
Social security contributions	-19,017	-10,825
Other staff costs	-399	-235
Total	-89,446	-51,591

The development in staff costs has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, wages and salaries would have amounted to €63,068 thousand and social security and other staff costs to €17,788 thousand in the 2019 financial year.

6. Other operating expenses

	2020 €k	2019 €k
Maintenance expenses	-5,865	-3,507
Travel costs/vehicle costs	-3,044	-1,254
Legal and consulting	-677	-1,711
Other services	-2	-106
Rental agreements and leasing	-9,982	-2,494
Insurance	-1,207	-785
Advertising costs	-244	-107
Costs for telephone, post and data communication	-479	-254
Contributions and fees	-721	-319
Training	-515	-420
Office supplies	-636	-264
Other personnel-related expenses	-710	-684
Incidental costs for monetary transactions	-32	-27
Loss of receivables and bad debt allowances	-66	-147
Foreign currency losses	-52	-23
Warranty expenses	-112	0
Miscellaneous other operating expenses	-4,834	-2,748
Total	-29,179	-14,851

The development in other operating expenses has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, other operating expenses would have amounted to €31,560 thousand in the 2019 financial year.

7. Other interest and similar income

	2020	2019
	€k	€k
Other interest and similar income	115	119
Total	115	119

8. Interest and similar expenses

	2020	2019
	€k	€k
Bank interest	-224	-153
Interest expense from pension	-2	-6
Interest expense from leases	-121	-72
Other interest and similar expenses	-658	-622
Total	-1,005	-853

The development in many components of total comprehensive income has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their results were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, finance expenses would have amounted to €932 thousand in the 2019 financial year.

There are non-controlling interests of 10.1% at the level of Friedrich Vorwerk SE & Co. KG that arose in conjunction with the reorganisation of the company's structure in the year under review. These interests accounted for a result of €3.9 million in the year under review (previous year: €0.0 million).

9. Taxes

Details on deferred tax assets and liabilities can be found under I.4.18 b) "Deferred taxes". The income tax rate of the parent company is 29.1% (previous year: 12.9%) and slightly less than the weighted average tax rate of the Vorwerk Group of 29.3% (previous year: 15.7%). The future local tax rate is applied when recognising deferred taxes.

No deferred tax assets were recognized for trade tax and corporate income tax loss carryforwards for the financial years 2020 and 2019 respectively.

The remeasurement of deferred tax assets resulting from the reorganization of the corporate structure was recognized directly in equity in the amount of €-1,133 thousand in accordance with SIC-25.

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

	2020	2019
	€k	€k
Corporate income tax	-4,513	-557
Trade income tax	-4,296	-2,188
Deferred taxes	-3,062	-1,794
Total	-11,872	-4,539

	2020	2019
	€k	€k
Consolidated net profit before income taxes	42,431	32,923
Income tax expense	-11,872	-4,539
Current tax rate	28.0%	13.8%

	2020	2019
	€k	€k
Earnings before taxes (EBT)	42,721	33,097
Other taxes	-290	-173
Applicable (statutory) tax rate	29.1%	12.9%
Expected tax expense	12,360	4,235
Effects of non-deductible expenses and tax-free income	137	-128
Prior-period taxes	-7	-146
Effects due to the use or addition to loss carryforwards	-209	-145
Other tax effects	-408	722
Current tax expense	11,872	4,539

The development in taxes has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, income tax expenses would have amounted to €7,717 thousand and other taxes to €280 thousand in the 2019 financial year.

10. Earnings per share

Basic 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.

The following table shows the amounts used to calculate basic earnings per share:

	2020
Result attributable to the holders of ordinary shares (in €)	30,559,171
Shares outstanding after the reorganisation of the reorganisation of the company structure (basic)	3,120,000
Earnings per share (in €)	9.79

Given the reorganisation of the company structure in the 2020 financial year, no comparative prior-year information has been provided and earnings per share were calculated as if the reorganisation of the company structure had occurred at the start of the financial year.

IV. Segment reporting

1. Information by segment

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

The composition of the business segments as at the end of the reporting period is as follows:

Natural Gas

The Natural Gas segment comprises infrastructure services and product solutions for the transport and conversion of raw natural gas into treated natural gas for our customers. This is done through a number of steps: transporting the natural gas through high-pressure pipelines to processing in filtering and separation plants, compressor stations, storage and measurement systems, LNG terminals and gas pressure control and measurement systems.

Electricity

The Electricity segment concentrates on providing the infrastructure for the underground transport and conversion of electricity, which is generated from climate-friendly, non-fossil energy sources such as wind, solar, hydro and regenerative resources. Our expertise in electricity transport and conversion focuses on landing offshore electricity and installing high-voltage underground cables through which this electricity is transported to transmission networks. At the end of these cables are connection points in the form of transformer stations, inverters and power-to-heat systems, which connect the transmission networks to local energy distribution networks.

Clean Hydrogen

The Clean Hydrogen segment comprises product solutions and infrastructure services for the conversion of energy from climate-friendly energy sources into clean hydrogen and its transportation to consumers. This is done through a number of processing steps: from the conversion of renewable energy by electrolysis to the processing and transportation of the clean hydrogen produced through storage systems, compressor stations, pipelines and gas pressure control and measurement systems.

Adjacent Opportunities

Furthermore, in the Adjacent Opportunities segment, we concentrate on related turnkey technologies, such as the treatment and cleaning of biogenic and synthetic gases, heat extraction technologies used in district heating, solutions for the transportation of drinking and waste water and specialty solutions for the chemical and petrochemical industry.

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.

01/01 - 31/12/2020	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	215,795	36,335	2,303	37,357	0	291,791
Earnings (EBIT)	34,756	7,728	305	4,857	-177	47,468
EBIT-margin (in %)	16.1%	21.3%	13.2%	13.0%		16.3%

01.01. - 31.12.2019	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	144,572	2,977	11	31,771	0	179,331
Earnings (EBIT)	21,735	1,019	1	6,203	4,872	33,831
EBIT-margin (in %)	15.0%	34.2%	13.0%	19.5%		18.9%

Reconciliation of EBIT to net profit for the year	2020	2019
	€k	€k
Total EBIT of the segments	47,646	28,958
Reconciliation to Group EBIT	-177	4,872
Net finance costs	-4,747	-734
EBT	42,721	33,097
Taxes on income	-11,872	-4,539
Other taxes	-290	-173
Net profit for the period	30,559	28,385

2. Information by region

The Vorwerk Group's non-current assets are predominantly located in Europe.

3. Information on main customers

In the reporting year, sales revenues with two customers (previous year: three) accounted for more than 10% of the Group's sales revenues. The majority of customers are assigned to the Natural Gas segment.

Customer	2020	2019
	€k	€k
Customer A	46,411	33,356
Customer B	36,205	27,674
Customer C	n.a.	22,701
Total	82,616	83,731

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 Vorwerk 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 €k	Current liabilities to banks €k	Non-current lease liabilities €k	Current lease liabilities €k	Total €k
Statement of financial position as at 1 Jan 2019	2,673	5,657	3,543	2,855	
Borrowing	8,000	13,000	0	0	21,000
Redemption	-2,350	-18,306	0	-3,411	-24,067
Cash changes	5,650	-5,306	0	-3,411	-3,067
Borrowing	0	0	0	2,700	2,700
Reclassifications	-969	969	-655	655	0
Changes in consolidated group	0	0	4,101	1,253	5,354
New leases	0	0	631	187	818
Non-cash changes	-969	969	4,077	4,795	8,872
Statement of financial position as at 31 Dec 2019	7,354	1,320	7,620	4,239	
Borrowing	850	0	0	0	850
Redemption	-1,164	-220	0	-4,811	-6,195
Cash changes	-314	-220	0	-4,811	-5,345
Reclassifications	-176	176	-4,484	4,484	0
Deferred interest	0	189	0	0	189
New leases	0	0	1,074	951	2,025
Non-cash changes	-176	365	-3,410	5,435	2,214
Statement of financial position as at 31 Dec 2020	6,864	1,466	4,210	4,863	

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*	31/12/2020	
		Carrying amount	Fair Value
Assets			
Trade receivables (31/12/2019)	AC	20,931 24,568	
Other financial assets (31/12/2019)	AC	1,533 2,679	
Cash and cash equivalents (31/12/2019)	AC	45,254 52,361	
Liabilities			
Liabilities to banks (31/12/2019)	FLaC	8,330 8,674	8,634 8,891
Liabilities from participation rights (31/12/2019)	FLaC	10,213 9,963	15,903 13,346
Non-hedge derivatives (31/12/2019)	FVTPL	18 0	18
Trade payables (31/12/2019)	FLaC	2,019 6,083	
Other financial liabilities (31/12/2019)	FLaC	2,374 4,304	
Liabilities to non-controlling interests (31/12/2019)	FLaC	11,973 18,690	
Aggregated according to category			
Financial assets	AC	67,717	
Financial liabilities	FLaC	34,909	
Derivative financial liabilities	FVTPL	18	

* AC: amortised cost; FLaC: financial liabilities at amortised cost; FVTPL: fair value through profit and loss

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

Cash funds, other financial assets 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.

Trade payables and other financial liabilities are typically short-term; the amounts recognised are approximately the fair values. The fair values of financial liabilities and liabilities from profit participation rights are calculated at the present value of the expected future cash flows. Discounting uses standard market interest rates based on the corresponding maturities and credit ratings.

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 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 €67,717 thousand in the year under review (31 December 2019: €79,608 thousand). Business relationships are only entered into with partners of good credit standing. Trade receivables relate to a diverse set of customers in the energy sector. 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.12. "Liabilities" and II.13. "Other liabilities" for details of the maturities of financial liabilities.

The measurement of the financial assets and liabilities of the Vorwerk 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:

	31/12/2020	31/12/2019
Equity in €k	63,604	37,880
- <i>in % of total capital</i>	36.0%	22.6%
Liabilities in €k	113,308	129,586
- <i>in % of total capital</i>	64.0%	77.4%
Current liabilities in €k	70,515	92,291
- <i>in % of total capital</i>	39.9%	55.1%
Non-current liabilities in €k	42,793	37,295
- <i>in % of total capital</i>	24.2%	22.3%
Net gearing*	-0.4	-0.8

* Calculated as the ratio of financial liabilities less cash funds to equity.

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 Vorwerk 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 the simplified approach.

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

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the 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 Vorwerk Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate

agreements. Derivatives (e.g. interest rate swaps or interest rate futures) were only used in hedging as an exception. The Group had liabilities with floating interest rates in the amount of €2,013 thousand (previous year: €2,363 thousand) and an interest rate swap with a nominal volume of €786 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 €44 thousand lower (higher).

5. 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. 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 2020 affect the future liquidity situation of the Group.

Type of liability	Carrying amount as at 31 Dec. 2020 €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	8,330	1,359	6,691	379
Liabilities from participation rights	10,213	351	1,779	15,311
Trade payables	2,019	2,019	0	0
Other financial liabilities	2,374	2,374	0	0
Liabilities to non-controlling interests	11,973	4,971	3,150	4,354
Lease liabilities	9,073	4,973	4,369	0
Total	43,982	16,047	15,989	20,044

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

Management Board of Friedrich Vorwerk Group SE

- Torben Kleinfeldt, engineering graduate, business graduate, Chief Executive Officer (CEO), since 6 July 2020
- Tim Hameister, business management graduate (M.Sc.), Chief Financial Officer (CFO), since 12 November 2020
- Steffi Brettschneider, until 6 July 2020

Torben Kleinfeldt, Chief Executive Officer, is in charge of the areas of Strategic Development & Internationalisation, Strategic Sales, Procurement, Engineering, Investor Relations and Legal & Compliance. As the Chief Financial Officer, Tim Hameister is in charge of Finance, Controlling and HR.

Torben Kleinfeldt is also the Managing Director of ALX Beteiligungsgesellschaft mbH, Tostedt, and KLEH Immobilienverwaltung GmbH, Tostedt.

Supervisory Board of Friedrich Vorwerk Group SE

- Dr Christof Nesemeier, business graduate, Chairman, since 28 July 2020
- Gert-Maria Freimuth, business graduate, Deputy Chairman, since 6 July 2020
- Anton Breitkopf, business management graduate, member, since 6 July 2020

- Klaus Seidel, from 6 July 2020 to 28 July 2020
- Angelika Hundt, until 6 July 2020
- Simon Fritzsche, until 6 July 2020
- Kai Anschütz, until 6 July 2020

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

Gert-Maria Freimuth is also the Chairman of the Board of MBB SE, the Chairman of the Supervisory Board of Aumann AG, Chairman of the Supervisory Board of DTS IT AG and the Deputy Chairman of the Supervisory Board of Delignit AG.

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

2. Executive body remuneration

Structure of Management Board remuneration

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

- fixed basic annual remuneration;
- short-term variable remuneration based on the financial year.

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 can include the provision of a company car, insurance contributions, travel costs and other fringe benefits. The members of the Management Board are also included in Group D&O insurance (through MBB SE, Berlin).

Short-term variable remuneration

Short-term variable remuneration is determined by the Group's return on sales.

Amount of remuneration

The total remuneration of the Management Board of Friedrich Vorwerk Group SE amounted to €485.9 thousand in the financial year (previous year: €1,016.5 thousand). The remuneration of Mr Tim Hameister was taken into account pro rata temporis. The prior-year information shown relates to the remuneration of the management of Friedrich Vorwerk SE & Co. KG.

Supervisory Board

No remuneration was paid to the Supervisory Board in the financial year.

3. Related party transactions

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

3.1 Related persons

The Vorwerk Group also reports on transactions with related parties and their relatives in accordance with IAS 24. The members of the Management Board of Friedrich Vorwerk Group SE 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 members of the Management Board and the Supervisory Board.

Their remuneration was as follows:

	2020	2019
	€k	€k
Salaries and other short-term benefits	486	1,017
Total	486	1,017

The remuneration of Mr Tim Hameister was taken into account pro rata temporis. The prior-year information shown relates to the remuneration of the management of Friedrich Vorwerk SE & Co. KG.

The Management Board was remunerated through the subsidiaries Vorwerk Verwaltungs GmbH and Friedrich Vorwerk Management SE in the year under review.

The Management Board

In the 2020 financial year, a subsidiary of Friedrich Vorwerk Group SE performed various work projects for KLEH Immobilien GmbH & Co. KG with an arm's length transaction volume of €25 thousand. KLEH Immobilien GmbH & Co. KG is attributed to the CEO Torben Kleinfeldt and a member of the Management Board of Friedrich Vorwerk Management SE.

As at the end of the reporting period, there is an arm's length lease with KLEH Immobilien GmbH & Co. KG for residential space for Friedrich Vorwerk SE & Co. KG. The total transactions under this lease in the 2020 financial year amount to €17 thousand (previous year: €10 thousand). The net amount from transactions with KLEH Immobilien GmbH & Co. KG as at the end of the reporting period is €0 thousand (previous year: €1 thousand).

In the year under review, a motor vehicle was sold in an arm's length transaction (€56 thousand) by Friedrich Vorwerk SE & Co. KG to ALX Beteiligungsgesellschaft mbH, which is attributed to the CEO Torben Kleinfeldt.

Please refer to the information on the remuneration paid to the members of the executive bodies for further details.

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.

Furthermore, MBB SE, the parent company of Friedrich Vorwerk Group SE, and the companies of MBB SE's consolidated group are also considered related parties. Transactions with these companies were conducted at arm's length conditions.

Friedrich Vorwerk SE & Co. KG paid MBB SE €560 thousand for consulting services in the 2020 financial year (previous year: €562 thousand). Costs for IT systems and other services of €14 thousand were also recharged to the Vorwerk Group by MBB SE. There are no outstanding balances as at the end of the reporting period.

Please refer to note II.4 (Working group disclosures) for information on working groups.

4. Employees

The Group had the following employees in the financial year:

Average number of employees	2020 Headcount	2019 Headcount
Technical staff and employees	1,284	862
Total	1,284	862

As at the end of the reporting period	31/12/2020 Headcount	31/12/2019 Headcount
Technical staff and employees	1,304	1,239
Total	1,304	1,239

The Vorwerk Group has 85 (previous year: 89) trainees as at 31 December 2020 who are not included in the above figures.

5. Auditor's fees

The auditor's fees recognised in the 2020 and 2019 financial years break down as follows:

	2020 €k	2019 €k
Audit services	165	165
Tax advisory services	0	0
Other services	0	0
Total	165	165

6. Events after the end of the reporting period

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

7. Contingent liabilities and off-balance sheet transactions

It is standard practice within the industry, and normal, to issue various guarantees and warranties 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 Vorwerk Group holds investments.

8. Other financial liabilities

For the majority of operating leases, rights of use and lease liabilities have been recognized in the balance sheet. Exceptions to this are short-term leases, leases with low-value underlying assets and variable lease payments.

The off-balance sheet obligations as of December 31, 2020 and in the prior-year period are as follows:

Other financial liabilities	31/12/2020	31/12/2019
	€k	€k
Up to one year	775	2,268
More than one year and up to five years	0	0
Over five years	0	0
Total	775	2,268

9. Appropriation of earnings

The Management Board proposes the distribution of a dividend of €8.05 per entitled share and that the remainder be carried forward to new account.

10. Group Affiliation

Friedrich Vorwerk Group SE, Tostedt, prepares the consolidated financial statements for the smallest group of companies. These will be published in the electronic Federal Gazette. MBB SE, Berlin, prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements will be published on their website www.mbb.com.

11. Exemption from disclosure requirements

In accordance with section 264(3) in conjunction with section 264b HGB, the following companies included in the consolidated financial statements of Friedrich Vorwerk Group SE are exempt from the obligation to disclose their annual financial statements for the 2020 financial year:

- EAS Einhaus Anlagenservice GmbH, Geeste
- European Pipeline Services GmbH, Tostedt
- Friedrich Vorwerk SE & Co. KG, Tostedt
- Vorwerk - ASA GmbH, Herne
- Vorwerk-EEE GmbH, Tostedt
- Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg

Tostedt, 6 February 2021

Torben Kleinfeldt
Chief Executive Officer

Tim Hameister
Chief Financial Officer

Independent auditor's report

The following audit opinions relate to the consolidated financial statements prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB and the group management report of Friedrich Vorwerk Group SE for the financial year ended 31 December 2020 prepared in accordance with German commercial law as a whole and not solely to the consolidated financial statements reproduced on the preceding pages of this Prospectus.

To Friedrich Vorwerk Group SE, Tostedt

Audit opinions

We have audited the consolidated financial statements of Friedrich Vorwerk Group SE and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, the segment reporting for the financial year from 1 January 2020 to 31 December 2020 and the notes to the consolidated financial statements including a summary of the significant accounting policies. Furthermore, we have audited the Group management report of Friedrich Vorwerk Group SE for the financial year from 1 January 2020 to 31 December 2020.

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 2020 and its results of operations for the financial year from 1 January 2020 to 31 December 2020 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.

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) 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 German law and have fulfilled our other German professional obligations in accordance with these requirements. 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.

Other information

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

- 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;

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 legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives 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 in compliance with these accounting principles. Furthermore, the legal representatives 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, legal representatives 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 legal representatives 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 legal representatives 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 supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the interim financial statements.

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 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 legal representatives;

- We draw conclusions about the appropriateness of the going concern principle applied by the company's legal representatives 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 legal representatives. 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.

Düsseldorf, 6 February 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grote
Wirtschaftsprüfer
(German Public Auditor)

Geller
Wirtschaftsprüfer
(German Public Auditor)

**English-language Translation of the German-language
Audited Unconsolidated Financial Statements
of Friedrich Vorwerk Group SE
Prepared in Accordance with IFRS
as of and for the Fiscal Year Ended December 31, 2019**

**Friedrich Vorwerk Group SE
Tostedt
formerly known as: Youco M19-H-99 dual Vorrats-SE, München
Statement of financial position
at 31 December 2019 and 2 October 2019**

ASSETS	<u>Notes</u>	<u>31 December 2019</u>	<u>2 October 2019</u>	EQUITY AND LIABILITIES	<u>Notes</u>	<u>31 December 2019</u>	<u>2 October 2019</u>
		EUR	EUR			EUR	EUR
Current assets				Equity			
Cash and cash equivalents	4.1	30.000	30.000	Issued capital	4.2	120.000	120.000
				Not fully paid capital	4.2	(90.000)	(90.000)
		<u>30.000</u>	<u>30.000</u>			<u>30.000</u>	<u>30.000</u>

Friedrich Vorwerk Group SE
Tostedt
formerly known as: Youco M19-H-99 dual Vorrats-SE, München
Statement of profit or loss and other comprehensive income
for the period ended 31 December 2019

	2 October - 31 December 2019
	EUR
Revenue	0
Other operating income	0
Cost of materials	0
Staff costs	0
Other operating expenses	0
Earnings before interest, taxes, depreciation and amortization	0
Depreciation and amortization	0
Earnings before interest and taxes	0
Financial income	0
Financial expenses	0
Earnings before taxes	0
Income taxes	0
Other taxes	0
Profit / (loss) for the period	0
Other comprehensive income	0
Total comprehensive profit / (loss)	0

Friedrich Vorwerk Group SE
Tostedt
formerly known as: Youco M19-H-99 dual Vorrats-SE, München
Statement of cash flow
for the period ended 31 December 2019

	<u>Notes</u>	<u>2 October - 31 December 2019</u>
		EUR
Cash flow from operating activities		0
Cash flow from investment activities		0
Cash flow from financing activities		0
Change in cash and cash equivalents		0
Cash and cash equivalents - 2 October 2019	4.1	30.000
Cash and cash equivalents - 31 December 2019	4.1	30.000

Friedrich Vorwerk Group SE
Tostedt
formerly known as: Youco M19-H-99 dual Vorrats-SE, München
Statement of changes in equity
for the period ended 31 December 2019

EUR	Share capital	Not fully paid capital	Capital reserve	Retained earnings	Total equity
Equity as of 2 October 2019	120.000	(90.000)	0	0	30.000
Equity as of 31 December 2019	120.000	(90.000)	0	0	30.000

Notes to the financial statements

1. General information

1.1. Corporate information

Friedrich Vorwerk Group SE (formerly know as: Youco M19-H-99 dual Vorrats-SE), hereafter called the “Company”, is incorporated in Germany and had its registered office as of the reporting date at Oststraße 11-13, c/o Youco24 Zweite Gründungs SE, Rhein-Carré, 50996 Köln. The place of business is Tostedt (formely: München).

The Company was founded on 2 October 2019 as a shelf company. The company is not yet engaged in any commercial activity.

The Company is wholly owned by Youco24 Zweite Gründungs SE, Cologne, as of the reporting date.

These financial statements were voluntarily prepared in accordance with IFRS as adopted by the EU.

The Company presents its financial statements as of 31 December 2019 in Euro (EUR).

These interim financial statements were authorised by the Management Board by resolution dated 21 December 2020.

1.2. First Time Adoption of IFRS

These interim financial statements for the period ended 31 December 2019 are the first financial statements that are prepared by the Company in accordance with IFRS. The company did not present financial statements for previous periods. Retrospective application of IFRS is therefore not necessary and consequently there are no effects of the transition to IFRS on total equity or on the profit or loss for the period.

2. Significant accounting policies and changes

2.1. Basis of preparation of financial statements

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRIC) as adopted in the European Union (EU).

The statement of comprehensive income is prepared based on the nature of the total cost method.

As a rule, the Company classifies assets as current if they are expected to be recovered within twelve months from the reporting date. Liabilities are classified as non-current if the Company has the right to defer settlement beyond one year. Deferred tax assets and liabilities are classified as non-current assets or liabilities in accordance with IAS 1.56.

The interim financial statements are presented in EUR. Amounts are shown in Euros (EUR) unless otherwise stated. As such, insignificant rounding differences could occur in period-over-period changes and percentages reported throughout.

The financial year is from 1 January to 31 December beginning with a stub period for the first financial year.

The management prepared the interim financial statements on a going concern basis. Other than that, the preparation of these interim financial statements in conformity with IFRS did not require the use of any critical accounting estimates or judgement.

2.2 Effects of new or amended financial standards and interpretations

The Company has applied all standards and interpretations (including amendments) as adopted by the EU in its interim financial statements, which are mandatory for financial years starting on or after 1 January 2019. For the period ending on 31 December 2019, there were no new or amended standards and interpretations that were endorsed by the EU the Company had to apply.

There are no IFRS or IFRIC interpretations that are issued but not yet effective that would be expected to have a material impact on the Company's financial statements as of 31 December 2019. Early adoption of any of the publications is not planned.

2.3 Changes in accounting policies

There were no changes to accounting policies with significant consequences for the presentation of the net assets, financial position and results of operations or cash flows in the period ended 31 December 2019.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash deposits. Cash and cash equivalents are reported in accordance with their definition as financial resources in IAS 7.

3. Estimates and judgements

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

4. Notes to the statement of financial position

4.1 Cash and cash equivalents

The cash amounting to EUR 30,000 as at the reporting date (2 October 2019: EUR 30,000) is the total of balance on the account with one German bank.

4.2 Equity

The issued capital of EUR 120,000 consists of 120,000 registered shares with no par value. Preference shares or different classes of shares do not exist. As at the reporting date, the contributions to the issued capital were paid up to EUR 30,000. As at 31 December 2019, EUR 90,000 of contributions were outstanding.

For information on the change in equity, please refer to the statement of changes in equity.

5. Risk management

As at the reporting date, the Company is not exposed to any specific market, credit or liquidity risk.

The Company's capital management objectives are primarily to maintain and ensure an optimum capital structure to continue financing the growth plan and to manage the company's value over the long term. The Company manages its capital structure on the basis of various figures, such as

the equity ratio, and makes adjustments where appropriate, taking into account changes to the general state of the economy.

6. Notes to the statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7 Statement of Cash Flows and shows the changes in the Company's cash and cash equivalents during the course of the reporting period due to cash inflows and outflows.

Under IAS 7, cash flows are disclosed separately based on origin and use between the operating sector and the cash flows from the investment and financing activities. The cash inflows and outflows from operating activities are derived directly from the Company's profit or loss for the year. Cash inflows and outflows from investing and financing activities are derived directly. The funds in the statement of cash flows correspond to the value of cash and cash equivalents in the statement of financial position. Cash and cash equivalents include the freely available cash deposits and deposits with financial institutions.

7. Related party disclosures

Related parties as defined in IAS 24 Related Party Disclosures are those legal entities and natural persons that are able to exert influence on the Company exercises control or joint control or has a significant influence. The company has not entered into any related party transactions in the reporting period.

The members of the management board did not receive any compensation in the reporting period.

8. Disclosures on the Management Board and the Supervisory Board

The Company's corporate boards are composed as follows:

Members of the Management Board of the Company:

<u>Name</u>	<u>Member since</u>	<u>Position</u>	<u>Occupation</u>
Steffi Brettschneider	02.10.2019, resigned 06.07.2020	Chief Executive Officer	Clerk

Members of the Supervisory Board of the Company:

<u>Name</u>	<u>Member since</u>	<u>Position</u>	<u>Occupation</u>
Angelika Hundt	02.10.2019, resigned 06.07.2020	Chairman of the Supervisory Board	Clerk
Simon Fritzsche	02.10.2019, resigned 06.07.2020	Deputy Chairman of the Supervisory Board	Clerk
Kai Anschütz	02.10.2019, resigned 06.07.2020	Member of the Supervisory Board	Clerk

9. Events after the reporting period

Events after the reporting date with a significant or possibly significant impact on the net assets, financial positions and results of operations of the Company.

By resolution of the Annual General Meeting on 6 July 2020, the following members were appointed to the Company's Supervisory Board:

Klaus Seidel, business graduate, Moritzburg, Chairman (until 28 July 2020)

Gert-Maria Freimuth, business graduate, Münster, Deputy Chairman

Anton Breitkopf, business management graduate, Cologne, Member

The term of the members of the first Supervisory Board ended on 6 July 2020.

By resolution of the Annual General Meeting on 14 July 2020, the Company's name was changed to Friedrich Vorwerk Group SE and the place of business was moved to Tostedt.

By resolution of the Annual General Meeting on 28 July 2020, Dr. Christof Nesemeier was appointed to the Supervisory Board and elected Chairman of the Friedrich Vorwerk Group SE Supervisory Board.

Steffi Brettschneider resigned her seat on the Management Board on 6 July 2020.

Torben Kleinfeldt was appointed as Chief Executive Officer and authorised sole representative of Friedrich Vorwerk Group SE on 6 July 2020. Tim Hameister was appointed as Member of the Management Board on 12 November 2020.

The Company's share capital has been increased from EUR 120,000 to EUR 3,120,000 by issuing 3,000,000 new shares in the Company against contributions in kind in the form of 89.925% shares in Friedrich Vorwerk SE & Co. KG, Tostedt (previously known as Friedrich Vorwerk KG (GmbH & Co.), Tostedt).

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

Tostedt, 21 December 2020, the Management Board

Torben Kleinfeldt
Chief Executive Officer

Tim Hameister
Chief Financial Officer

The following auditor's opinion is a translation of the German language auditor's opinion

To: Friedrich Vorwerk Group SE, Tostedt,

Audit Opinion

We have audited the voluntary prepared under IFRS interim financial statements of Friedrich Vorwerk Group SE, Tostedt, - consisting of the statement of financial position as at December 31, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the period October 2, 2019 through December 31, 2019 and the notes, including the presentation of the recognition and measurement policies.

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

- the accompanying interim financial statements comply, in all material respects, with the requirements of IFRS adopted by the EU and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2019 and of its financial performance for the financial year from October 2, 2019 to December 31, 2019 in compliance with these requirements.

Pursuant to § 322 Para. 3 Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the interim financial statements.

Basis for the Audit Opinion

We conducted our audit of the interim financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Interim Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the interim financial statements.

Responsibilities of the Legal Representatives and the Supervisory Board for the Interim Financial Statements

The executive directors are responsible for the preparation of the interim financial statements that comply, in all material respects, with the requirements of IFRS adopted by the EU, and that the interim financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRS adopted by EU. In addition, the legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the interim financial statements.

Auditor's Responsibilities for the Audit of the Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the interim financial statements.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the interim financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements present the underlying transactions and events in a manner that the interim financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with IFRS adopted by the EU.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, December 22, 2020

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rainer Grote
Wirtschaftsprüfer

Daniel Schulz
Wirtschaftsprüfer

**English-language Translation of the German-language
Audited Consolidated Financial Statements
of Friedrich Vorwerk KG (GmbH & Co.)
Prepared in Accordance with IFRS
as of and for the Fiscal Year Ended December 31, 2019**

IFRS Consolidated Financial Statements for 2019

IFRS consolidated statement of profit or loss	Notes	01.01. - 31.12.2019	01.01. - 31.12.2018
		€k	€k
Revenue	III.1.	179,331	105,873
Increase (+), (-) in finished goods and work in progress		557	-84
Operating performance		179,887	105,789
Income from initial consolidation (badwill)		5,143	1,162
Income from joint ventures	III.2.	4,185	3,895
Other operating income	III.3.	1,510	1,101
Total performance		190,725	111,946
Cost of raw materials and supplies		-13,320	-8,034
Cost of purchased services		-69,157	-30,936
Cost of materials		-82,476	-38,970
Wages and salaries		-40,531	-32,996
Social security and pension costs		-11,060	-8,888
Staff costs		-51,591	-41,884
Other operating expenses	III.4.	-14,851	-10,014
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		41,807	21,079
Depreciation and amortization	II.1.	-7,976	-7,428
Earnings before interest and taxes (EBIT)		33,831	13,651
Other interest and similar income	III.5.	119	98
Interest and similar expenses	III.6.	-853	-1,162
Net finance costs		-734	-1,064
Earnings before taxes (EBT)		33,097	12,586
Income taxes	III.7.	-4,539	-1,973
Other taxes	III.7.	-173	-168
Consolidated net profit		28,385	10,446

IFRS consolidated statement of comprehensive income

IFRS consolidated statement of comprehensive income	Notes	01.01. - 31.12.2019	01.01. - 31.12.2018
		€k	€k
Consolidated net profit		28,385	10,446
Non-controlling interests		0	0
Profit or loss for the period		28,385	10,446
Items that not may be subsequently reclassified to profit and loss			
Pension reserve	II.10.3	-59	-9
thereof deferred taxes		8	1
Other comprehensive income after taxes		-52	-8
Comprehensive income for the reporting period		28,333	10,438
thereof attributable to:			
- Shareholders of the parent company		28,333	10,438

IFRS consolidated statement of financial position

Statement of financial position	Notes	31.12.2019	31.12.2018	01.01.2018
Assets (IFRS)		audited	audited	audited
		€k	€k	€k
Non-current assets				
Concessions, industrial property rights and similar rights	II.2.	174	292	67
Intangible assets		174	292	67
Land and buildings including buildings on third-party land	II.3.	18,237	15,149	15,474
Technical equipment and machinery	II.3.	20,483	12,550	7,308
Other equipment, operating and office equipment	II.3.	9,957	7,828	5,019
Advance payments and assets under development	II.3.	136	76	53
Property, plant and equipment		48,814	35,603	27,854
Investments in joint ventures and associates	II.4.	6,484	1,621	1,539
Other loans	II.4.	0	0	293
Advance payments	II.4.	0	0	2,000
Financial assets		6,485	1,621	3,832
Deferred tax assets	II.9.	5,797	521	225
		61,270	38,038	31,977
Current assets				
Raw materials and supplies	II.5.	3,201	3,341	1,458
Work in progress	II.5.	557	0	0
Inventories		3,757	3,341	1,458
Trade receivables	II.6.	24,568	22,252	12,544
Contract assets	II.7.	20,272	10,377	12,333
Other current assets	II.8.	5,238	3,898	3,426
Trade receivables and other current assets		50,078	36,526	28,304
Cash in hand	V.	52	31	24
Bank balances	V.	52,310	8,814	3,134
Cash in hand, bank balances		52,361	8,845	3,159
		106,197	48,712	32,920
Total assets		167,466	86,750	64,897

Statement of financial position	Notes	31.12.2019	31.12.2018	01.01.2018
Equity and liabilities (IFRS)		audited	audited	audited
		€k	€k	€k
Equity				
Shareholdings of limited partners	II.10.1	2,000	2,000	2,000
Reserves	II.10.2	11,556	11,556	9,534
Retained earnings and other reserves	II.10.3	24,325	10,105	8,927
		37,880	23,661	20,462
Non-current liabilities				
Liabilities to banks	II.12.	7,354	2,673	2,713
Liabilities to shareholders	II.12.	2,812	2,812	2,812
Liabilities from participation rights	II.12.	9,963	10,063	10,063
Lease liabilities	II.15.	7,620	3,543	2,467
Pension provisions	II.11.	417	368	355
Deferred tax liabilities	II.9.	9,129	2,297	1,485
		37,295	21,757	19,895
Current liabilities				
Liabilities to banks	II.12.	1,320	5,657	3,358
Contract liabilities	II.12.	21,510	4,023	482
Trade payables	II.12.	6,083	5,697	5,880
Liabilities to shareholders	II.12.	15,878	9,452	4,928
Other liabilities	II.13.	14,773	7,716	4,267
Lease liabilities	II.15.	4,239	2,855	1,511
Provisions with the nature of a liability	II.14.1	20,454	3,449	3,072
Tax provisions	II.14.2	4,071	1,575	183
Other provisions	II.14.1	3,961	908	857
		92,291	41,332	24,540
Total equity and liabilities		167,466	86,750	64,897

IFRS consolidated statement of cash flows

Consolidated statement of cash flows	01.01. - 31.12.2019 €k	01.01. - 31.12.2018 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	33,831	13,651
Adjustments for non-cash transactions		
Depreciation and amortization	7,976	7,428
Increase (+), decrease (-) in provisions	997	26
Losses (+), gains (-) from disposal of PPE	631	41
Results from joint ventures	-4,185	-3,895
Other non-cash expenses and income	-5,151	-1,163
	269	2,437
Change in working capital:		
Increase (-), (+) in inventories, trade receivables and other assets	5,138	-3,878
Decrease (-), increase (+) in trade payables and other liabilities	18,508	4,796
	23,646	918
Income taxes paid	-1,349	-1,125
Interest received	119	98
Incoming payments from dividends from joint ventures	2,638	3,789
	1,408	2,761
Cash flow from operating activities	59,153	19,767
2. Cash flow from investing activities		
Investments (-), divestments (+) of intangible assets	-24	-118
Investments (-), divestments (+) of property, plant and equipment	-5,408	-5,104
Business combinations (less cash received)	1,414	-443
Cash flow from investing activities	-4,018	-5,665
3. Cash flow from financing activities		
Profit distribution to shareholders	-7,879	-2,716
Proceeds from borrowing financial loans	21,000	9,500
Repayments of principal of financial loans	-20,652	-11,004
Payments on lease liabilities	-3,411	-3,041
Interest payments	-678	-1,155
Cash flow from financing activities	-11,619	-8,415
Cash and cash equivalents at end of period		
Change in cash and cash equivalents	43,516	5,687
Cash and cash equivalents at start of reporting period	8,845	3,159
Cash and cash equivalents at end of period	52,361	8,845
Composition of cash and cash equivalents		
Cash in hand	52	31
Bank balances	52,310	8,814

IFRS Statement of changes in consolidated equity

Statement of changes in consolidated equity					
	Shareholdings of limited partners €k	Reserves €k	Retained earnings		Consolidated equity €k
			Pension re- serve €k	Generated consoli- dated equity €k	
01.01.2018	2,000	9,534	0	8,927	20,462
Amounts credited to shareholder ac- counts	0	0	0	-7,239	-7,239
Subtotal	2,000	9,534	0	1,688	13,223
Amounts recognised in other comprehensive income	0	0	-8	0	-8
Consolidated net profit	0	0	0	10,446	10,446
Total comprehen- sive income	0	0	-8	10,446	10,438
Transfer to reserves	0	2,021	0	-2,021	0
31.12.2018	2,000	11,556	-8	10,113	23,661
Amounts credited to shareholder accounts	0	0	0	-14,113	-14,113
Subtotal	2,000	11,556	-8	-4,000	9,548
Amounts recognised in other comprehensive income	0	0	-52	0	-52
Consolidated net profit	0	0	0	28,385	28,385
Total comprehen- sive income	0	0	-52	28,385	28,333
31.12.2019	2,000	11,556	-59	24,384	37,880

Notes to the Consolidated Financial Statements for 2019

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

Friedrich Vorwerk KG (GmbH & Co.) is headquartered at Niedersachsenstrasse 19-21, 21255 Tostedt, Germany. It is entered in the commercial register of the Tostedt District Court under HRA 1225. It is the parent company of the Vorwerk Group.

Vorwerk Verwaltungs GmbH, Tostedt, is the personally liable partner.

The Vorwerk Group is a family-owned medium-sized group whose basis business model is infrastructure design, realisation and operation.

The Friedrich Vorwerk KG (GmbH & Co.) consolidated financial statements for the 2019 financial year were approved by the partner meeting on 16 November 2020.

1.2 Accounting policies

The Vorwerk Group consolidated financial statements as at 31 December 2019 are the first consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) resolved and published by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted in the EU. 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 Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

These consolidated financial statements were prepared on the basis of IFRS for the first time. For this reason and in accordance with IFRS 1 the standards and interpretations application as at 31 December 2019 were used from the time of the transition to IFRS as at 1 January 2018.

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 Vorwerk Group, their future impact 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 Basic principles of the transition to IFRS

Application of IFRS 1

The regulations of IFRS 1 "First-time Adoption of International Financial Reporting Standards" were applied.

The date of transition to IFRS is 1 January 2018 (date of transition). All IFRS regulations effective for the 2019 financial year were applied retrospectively from the date of transition. The previous-year figures were thus determined on the basis of the same accounting principles.

Mandatory exceptions to the retrospective application

Estimates

The estimates made in line with the previous financial statements (HGB) are retained to the current point in time. There was no objective evidence that those estimates were in error (IFRS 1.14).

Derecognition of financial assets and financial liabilities

The postings made of financial assets and liabilities before the date of transition were retained as at 1 January 2018 in accordance with the requirements of IFRS 1 (IFRS 1.B2–B3).

Joint arrangements

The Vorwerk Group applied the transition provisions in IFRS 11 with the following exceptions: when changing from proportionate consolidation to the equity method, the Vorwerk Group tested the investment for impairment as at the date of transition in accordance with IAS 36. Any resulting impairment is recognised as an adjustment to reserves and withdrawals at the date of transition (IFRS 1.D31).

Optional exceptions

In the transition from the provisions of German commercial law regulations to IFRS, the Vorwerk Group utilised the following practical expedients and exceptions.

Business combinations

The Vorwerk Group does not apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS (IFRS 1.C1–C5).

Leases

Vorwerk Group as lessee measures the lease liability at the present value of the remaining lease payments, discounting using the incremental borrowing rate at the date of the transition to IFRS. Rights of use assets are measured at an amount equal to the respective lease liability. The Vorwerk Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics. Lease payments on leases for which the lease term ends within twelve months after the transition to IFRS or leases for which the underlying asset is of low value are systematically recognized as an expense over the lease term (IFRS 1.D9–D9D).

Transition from HGB to IFRS

Reconciliation of consolidated equity

As a result of the transition to IFRS, consolidated equity at Vorwerk Group changed as follows:

Reconciliation of consolidated equity	31.12.2018	01.01.2018
	€k	€k
Consolidated equity in accordance with HGB	24,464	23,333
Reclassification of financial instruments in accordance with IAS 32	-10,063	-10,063
Measurement of land	4,365	4,365
Revenue recognition in accordance with IFRS 15	5,262	3,377
Effects from application of the equity method in accordance with IAS 28	972	681
Measurement of financial instruments in accordance with IFRS 9	69	81
Measurement of pension provisions in accordance with IAS 19	-64	-87
Tax effects in accordance with IAS 12	-1,379	-1,225
Other effects	34	0
Consolidated equity in accordance with IFRS	23,661	20,462

Changes to consolidated equity result primarily from:

The reclassification of financial instruments in accordance with IAS 32 relates to profit participation rights which are qualified as borrowing in accordance with IAS 32 and which reduce IFRS consolidated equity (31.12.2018: €10,063 thousand; 01.01.2018: €-10,063 thousand).

There was a positive consolidated equity effect from the measurement of land at fair value as at the date of transition, which replaced the recognition at amortised cost in accordance with HGB (31.12.2018: €4,365 thousand; 01.01.2018: €4,365 thousand).

In addition, revenue recognition in accordance with IFRS 15, where revenue from construction projects is recognised in line with the stage of completion, results in an increase of consolidated equity (31.12.2018: €5,262 thousand; 01.01.2018: €3,377 thousand).

The application of the equity method in accordance with IAS 28 on investments in joint ventures (construction working groups) resulted in an increase of consolidated equity (31.12.2018: €972 thousand; 01.01.2018: €681 thousand).

In addition, consolidated equity is reduced as a result of the recognition and measurement of deferred tax (31.12.2018: €-1,379 thousand; 01.01.2018: €-1,225 thousand).

Reconciliation of total comprehensive income

Total comprehensive income in the Vorwerk Group changed as follows:

Reconciliation of total comprehensive income	31.12.2018
	€k
Consolidated net profit in accordance with HGB	8,370
Revenue recognition in accordance with IFRS 15	1,886
Effects from application of the equity method in accordance with IAS 28	291
Measurement of financial instruments in accordance with IFRS 9	-12
Measurement of pension provisions in accordance with IAS 19	30
Tax effects in accordance with IAS 12	-154
Accounting for leases in accordance with IFRS 16	-16
Other effects	51
Consolidated net profit in accordance with IFRS	10,446
Pension reserve	-9
thereof deferred taxes	1
Total comprehensive income in accordance with IFRS	10,438

On the basis of the revenue realisation in accordance with IFRS 15 described above, consolidated net profit increased by €1,886 thousand.

As a result of investments in joint ventures in accordance with IAS 28, consolidated net profit in accordance with IFRS rose by €291 thousand.

The recognition and measurement of deferred tax in accordance with IAS 12 reduced consolidated net profit by €154 thousand.

Notes on the adjustment of the consolidated statement of cash flows

Due to the accounting transition to IFRS there were essentially the following changes in the consolidated statement of cash flows:

Consolidated statement of cash flows	31.12.2018		31.12.2018
	HGB	Reconciliation	IFRS
	€k	€k	€k
Cash flow from operating activities	18,182	1,585	19,767
Cash flow from investing activities	-5,649	-15	-5,665
Cash flow from financing activities	-6,849	-1,566	-8,415
Change in cash and cash equivalents (Subtotal 1-3)	5,684	3	5,687
Cash and cash equivalents at start of reporting period	3,164	-6	3,159
Cash and cash equivalents at end of period	8,848	-2	8,845

The €1,585 thousand difference in cash flow from operating activities results essentially from the leases recognised in accordance with IFRS 16 where lease payments are to be shown as a reduction of lease liabilities and thus in cash flow from financing activities.

This results in a reduction of cash flow from financial activities of €1,566 thousand.

The slight change to cash and cash equivalents at the beginning and end of the reporting period resulted from the associates of the Vorwerk Group which are now recognised at equity and previously reported using proportionate consolidation in the HGB consolidated financial statements.

1.4 Business combinations

Bohlen & Doyen

On 10 December 2019, Friedrich Vorwerk KG (GmbH & Co.) 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 further units of the Vorwerk Group.

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	Carrying amount be- fore PPA	Fair value ac- cording to PPA
in €k		
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 cash equivalents	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 €7,485 thousand would have been included in the consolidated financial statements from these companies. If the companies had already been included in consolidation at the start of 2019, revenue of €96,828 thousand and a profit of €6,734 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 advantages the Vorwerk Group has 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), Friedrich Vorwerk was also able to offer a takeover solution for Bohlen & Doyen Service und Anlagentechnik GmbH. Furthermore, Vorwerk's many years of experience and expert employees enable it to analyse and carry out corporate acquisitions within a very short space of time.

1.5 Company law changes and structural changes in 2019

In January 2019, Friedrich Vorwerk KG (GmbH & Co.) founded VORWERK-EEE GmbH, Tostedt, as sole partner. The purpose of the company is providing planning services in pipeline and plant construction.

On 1 November 2019, Friedrich Vorwerk KG (GmbH & Co.) 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 Friedrich Vorwerk KG (GmbH & Co.), 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)	
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	100.00
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	100.00
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	100.00
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	100.00
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	100.00
European Pipeline Services GmbH, Tostedt, Germany	100.00
Vorwerk - ASA GmbH, Herne, Germany	100.00
Vorwerk-EEE GmbH, Tostedt, Germany	100.00
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	100.00
Vorwerk Verwaltungs GmbH, Tostedt, 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 Lot 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 Lot 2	50.00
ARGE NEL Niedersachsen	33.33
ARGE NEP Werne RB	33.33
ARGE Neubau B71n 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 and BA 4	33.33
ARGE Storag Etzel Reha Südfeld II, 2. BA	50.00
ARGE STORAG ETZEL VT 8/VT 16	50.00
ARGE TG Ochtrup Wester II	50.00
ARGE Umlegungen Gießen	50.00
ARGE Umverlegung A1	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 Lot 2	73.00
Dach-ARGE DoWin 6	45.60
Dach-ARGE EUGAL Lot 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 B71n 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 and Mitte	17.60
Dach-ARGE San. FGL 86 JS 2019/2020	51.00
Dach-ARGE Sanierung FGL 009 and 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 Pipelinenetz GASCADE 2017-2018	50.00
Dach-ARGE Spülbohrung Coca-Cola Lot 3	65.00
Dach-ARGE Stadtbeleuchtung	50.00

Name and registered office of the company	Ownership interest in %
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.	50.00
Dach-ARGE ZEELINK Lot 3 - 5	25.00
Associates	
SKS Straßenbau GmbH, Tostedt, Germany	50.00

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of Friedrich Vorwerk KG (GmbH & Co.) 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 Friedrich Vorwerk KG (GmbH & Co.). 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 Associates

Companies with an interest in the share capital of between 20.0% and 50.0% are usually classified as an associate if the Vorwerk Group has significant influence but does not control them. Companies in which the Vorwerk Group holds an interest in the share capital of between 20.0% and 50.0% are consolidated if the Vorwerk Group controls them.

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 ventures

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 the Vorwerk Group 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 income from joint ventures. In particular, receivables from and liabilities to working groups include cash receipts and payments and cost allocations, and are reported under trade receivables and other liabilities.

4. Presentation of accounting policies

4.1 General information

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. Euro is the functional current of all Group companies. 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.

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.

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.

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 three to five 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: 5 to 50 years
- Technical equipment and machinery: 1 to 21 years
- Other office equipment: 2 to 23 years

Land is not depreciated.

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

If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are 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 Leasing

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.

The Group recognises 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. The Vorwerk Group 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.

The Vorwerk Group 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, the Vorwerk Group is the lessor if the Group company agrees subleases for properties with third parties. These leases are not material to the company's consolidated financial statements.

The Vorwerk Group 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);

Financial assets recognised in the Vorwerk Group consolidated financial statements are classified exclusively as financial assets at amortised cost. 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.

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.

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 no financial liabilities classified 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 commodity swaps to hedge existing and future hedged items. These derivative financial instruments are carried at fair value and re-measured 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

Revenue in the Energy Grids unit

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

Revenue from these projects 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 project team each month.

The contract assets represent the Group's claim to consideration from contracts with customers. If the contract asset for a project 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 energy grid projects are typically made in line with performance on the basis of regular invoices. Advances before performance are sometimes typical in the Energy Transformation unit.

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 projects are reported separately under inventories. Work already invoiced is recognised under trade receivables.

Supplementary work in connection with these projects 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.

Revenue in the Energy Transformation unit

The consideration for revenue in the Energy Transformation unit, 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 revenue from the Energy Grids unit 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".

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 fulfill 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 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 contracts with customers (Energy Grids)

Revenue from 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 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 course of the project are taken into account by corresponding write-downs.

Revenue from projects in the Energy Transformation division

Revenue in the Energy Transformation division 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 Vorwerk 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.

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.

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 the Vorwerk Group 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.

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 Vorwerk Group as at 31 December 2019

	Total cost	Additions in the financial year	Business acquisition	Reclassification	Disposals in the financial year	Total write downs	Carrying amount at the end of financial year	Carrying amount at the end of previous year	Amortisation and depreciation in the financial year	Disposals of write downs
31.12.2019	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets										
1. Concessions, industrial property rights and similar rights	200	24	18	0	0	114	129	141	54	0
2. Development costs	0	0	0	0	0	0	0	0	0	0
3. Customer base	0	0	0	0	0	0	0	0	0	0
2. Order backlog	780	0	48	0	0	784	45	151	154	0
5. Goodwill	0	0	0	0	0	0	0	0	0	0
6. Advance payments	0	0	0	0	0	0	0	0	0	0
	980	24	66	0	0	897	174	292	209	0
II. Property, plant and equipment										
1. Land and buildings including buildings on third-party land	16,013	1,306	3,223	59	735	1,629	18,237	15,149	765	0
2. Technical equipment and machinery	16,266	5,004	7,417	-57	120	8,026	20,483	12,550	4,310	0
3. Other equipment, operating and office equipment	9,987	2,851	2,010	-2	52	4,837	9,957	7,828	2,680	-3
4. Advance payments and assets under development	76	38	22	0	0	0	136	76	0	0
	42,343	9,199	12,671	0	907	14,492	48,814	35,603	7,755	-3
Total	43,323	9,223	12,738	0	907	15,389	48,988	35,895	7,964	-3

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

31.12.2018	Total cost €k	Additions in the finan- cial year €k	Business ac- quisition €k	Reclassifica- tion €k	Disposals in the finan- cial year €k	Total write downs €k	Carrying amount at the end of financial year €k	Carrying amount at the end of previous year €k	Amortisation and depre- ciation in the finan- cial year €k
I. Intangible assets									
1. Concessions, industrial property rights and similar rights	67	118	16	0	0	59	141	67	59
2. Development costs	0	0	0	0	0	0	0	0	0
3. Customer base	0	0	0	0	0	0	0	0	0
2. Order backlog	0	0	780	0	0	629	151	0	629
5. Goodwill	0	0	0	0	0	0	0	0	0
6. Advance payments	0	0	0	0	0	0	0	0	0
	67	118	796	0	0	689	292	67	689
II. Property, plant and equipment									
1. Land and buildings including buildings on third-party land	15,474	119	43	377	0	864	15,149	15,474	864
2. Technical equipment and machinery	7,308	4,828	4,527	0	397	3,716	12,550	7,308	3,716
3. Other equipment, operating and office equipment	5,019	4,004	1,488	0	523	2,160	7,828	5,019	2,160
4. Advance payments and assets under de- velopment	53	437	0	-377	36	0	76	53	0
	27,854	9,389	6,057	0	957	6,740	35,603	27,854	6,740
Total	27,921	9,506	6,853	0	957	7,428	35,895	27,921	7,428

2. Intangible assets

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

3. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. No borrowing costs were capitalised relating to qualified assets either in the reporting year or in the previous year.

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 assets	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Land and buildings	3,440	0	0
Technical equipment and machinery	3,950	4,296	3,647
Other equipment, operating and office equipment	1,796	1,327	332
Total	9,186	5,624	3,979

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 €6,172 thousand in the 2019 financial year (previous year: €3,965 thousand) of which €5,354 thousand (previous year: €597 thousand) relates to business combinations.

4. Financial assets

Financial assets	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Investments in joint ventures and associates	6,484	1,621	1,539
Other loans	0	0	293
Advance payments	0	0	2,000
Carrying amount as at 31 Dec.	6,485	1,621	3,832

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

At-equity financial assets	31.12.2019	31.12.2018
	€k	€k
Carrying amount as at 31 Dec	1,621	1,539
Additions to scope of consolidation	2,504	0
Transitional consolidation	0	-333
Additions during the period	75	0
Proportionate annual results	4,935	4,204
Dissolution of hidden reserves	-12	0
Distributions	-2,638	-3,789
Carrying amount as at 31 Dec	6,484	1,621

Working group disclosures

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

Consortium (working groups)	Ownership interest in %
(BLS) ARGE Bavaria Loop Süd	33.33
(442) ARGE EGL 442	58.00
(E78) ARGE EUGAL Lot 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 Lot 5+6	53.35
(DZ3) Dach-ARGE ZEELINK Lot 3 - 5	25.00

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

Consortium (ARGE)	Revenue €k	Non-current assets €k	Current assets €k	thereof liquid assets €k	Non-current liabilities €k	Current liabilities €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

5. Inventories

Inventories	31.12.2019 €k	31.12.2018 €k	01.01.2018 €k
Raw materials and supplies	3,201	3,341	1,458
Work in progress	557	0	0
Carrying amount as at 31 Dec.	3,757	3,341	1,458

Impairment losses of €53 thousand were recognised on inventories in the period under review (previous year: €0 thousand). Impairment losses on inventories were reversed in the amount of €6 thousand (previous year: €81 thousand).

6. Trade receivables

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Trade receivables	18,822	15,405	9,929
Receivables from working groups	6,118	7,402	4,420
Less specific valuation allowances	-359	-544	-1,798
Less expected credit loss	-12	-11	-6
Carrying amount as at 31 Dec.	24,568	22,252	12,544

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.

7. Contract assets and contract liabilities

Contract assets comprise the claims for remuneration from construction contracts from customers and plant engineering projects 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".

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Gross contract assets	187,116	50,076	57,074
thereon advance payments	-166,844	-39,699	-44,741
Contract assets	20,272	10,377	12,333
Contract liabilities (incl. advance payments)	21,510	4,023	482

No costs of contract initiation or contract fulfilment were capitalised as separate assets in the financial year (previous year: none).

8. Other current assets

Other assets maturing within one year break down as follows:

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Tax receivables	520	539	170
Receivables related companies	2,679	2,022	2,416
Prepaid expenses	163	103	58
Receivables personnel	1,101	878	416
Other current assets	776	356	366
Carrying amount as at 31 Dec.	5,238	3,898	3,426

Tax receivables consist of corporate income tax and trade tax refunds of €516 thousand (31.12.2018: €474 thousand; 01.01.2018: €100 thousand) and input tax refunds of €4 thousand (31.12.2018: €65 thousand; 01.01.2018: €70 thousand). The receivables from related companies are for receivables from SKS Straßenbau GmbH, Tostedt. Receivables from employees are essentially for employee loans.

9. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2019, 31 December 2018 and 1 January 2018.

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Deferred tax assets	5,797	521	225
Deferred tax liabilities	9,129	2,297	1,485
Total	-3,332	-1,776	-1,260

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Temporary differences from:			
Pension provisions	25	19	19
Intangible assets	3,569	0	0
Financial assets	41	41	45
Liabilities	2,428	941	561
Provisions	154	77	158
Receivables	42	135	2
Others	318	0	0
Netting	-781	-692	-561
Deferred tax assets	5,797	521	225

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Temporary differences from:			
Receivables	5,004	1,041	673
Intangible assets	0	43	0
Property, plant and equipment	3,459	1,621	1,123
Financial assets	1,351	208	194
Provisions	0	22	0
Inventories	33	37	2
Others	63	16	55
Netting	-781	-692	-561
Deferred tax liabilities	9,129	2,297	1,485

10. Equity

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

10.1 Shareholdings of limited partners (fixed capital)

As at 31 December 2019, the limited partner and liable contributions amount to €2,000,000 (31.12.2018: €2,000,000; 01.01.2018: €2,000,000) which were fully paid in. The general partner capital amounts to €0 thousand (31.12.2018: €0 thousand; 01.01.2018: €0 thousand).

The capital shares of the limited partners are decisive for their voting rights at the partner meetings and for the distribution of profit.

10.2 Reserves

Reserves amount to €11,556 thousand (31.12.2018: €11,556 thousand; 01.01.2018: €9,534 thousand). On the limited partners reserve accounts the reinvested share of profits which may not be withdrawn without a collective resolution are recognised. Interest does not accrue on deposits in reserve accounts.

10.3 Retained earnings and other reserves

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.

Reserve for generated consolidated equity

This item comprises the gains generated by the Group less distributed profits.

For each Friedrich Vorwerk KG (GmbH & Co.) limited partner there is a private account on which the share of profits which may be withdrawn, withdrawals, interest and other payments between Friedrich Vorwerk KG (GmbH & Co.) and the limited partners are recognised. The private account bears interest and was qualified as a debt instrument. It is recognised under current liabilities to shareholders.

11. Provisions for pensions and similar obligations

Pension agreements for the defined benefit pension plan relate to Friedrich Vorwerk KG (GmbH & Co.). They cover claims to a life-long pension connected with a survivor's benefit at the level of the provision on the commercial balance sheet as at the month end of the month in which death occurs. As at 31 December 2019, no former employees with vested rights benefited from the plan (31.12.2018: none, 01.01.2018: one) and one retired person (31.12.2018: one, 01.01.2018: none). The pension agreement is closed, meaning that no further occupational pension agreements are entered into for new appointments.

	31.12.2019	31.12.2018
	€k	€k
Pension provisions at beginning of the financial year	368	355
Utilisation	-16	-1
Addition to provisions (interest cost)	6	5
Actuarial gains (-)/losses (+)	59	9
Pension provisions at end of the financial year	417	368
- Plan assets	0	0
Pension provision recognised in the balance sheet	417	368

The following actuarial assumptions were applied:

	2019	2018	2017
Actuarial interest rate	0.55%	1.63%	1.51%
Salary trend	0.00%	0.00%	0.00%
Pension trend	2.00%	2.00%	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:

	31.12.2019	31.12.2018
	€k	€k
Addition to provisions (service cost)	0	0
Addition to provisions (interest cost)	-6	-5
Total	-6	-5

The expected pension payments from the pension plans for 2020 amount to €16 thousand.

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Interest rate	0.25%	-3.3%	+3.5%
Pension increase rate	0.25%	+3.3%	-3.2%
Life expectancy	+1 year	+5.0%	-

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.

12. Liabilities

The liabilities mature as follows:

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
31.12.2019	€k	€k	€k	€k
Liabilities to banks	1,320	4,492	2,863	8,674
Trade payables	6,083	0	0	6,083
Provisions with the nature of a liability	20,454	0	0	20,454
Other liabilities	14,773	0	0	14,773
Contract liabilities	21,510	0	0	21,510
Lease liabilities	4,239	5,926	1,694	11,859
Liabilities to shareholders	15,878	0	2,812	18,690
Liabilities from participation rights	0	0	9,963	9,963
As at 31.12.2019	84,257	10,418	17,332	112,008

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
31.12.2018	€k	€k	€k	€k
Liabilities to banks	5,657	1,711	963	8,330
Trade payables	5,697	0	0	5,697
Provisions with the nature of a liability	3,449	0	0	3,449
Other liabilities	7,716	0	0	7,716
Contract liabilities	4,023	0	0	4,023
Lease liabilities	2,855	3,543	0	6,399
Liabilities to shareholders	9,452	0	2,812	12,264
Liabilities from participation rights	100	0	9,963	10,063
As at 31.12.2018	38,949	5,254	13,738	57,941

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
01.01.2018	€k	€k	€k	€k
Liabilities to banks	3,358	1,400	1,313	6,071
Trade payables	5,880	0	0	5,880
Provisions with the nature of a liability	3,072	0	0	3,072
Other liabilities	4,267	0	0	4,267
Contract liabilities	482	0	0	482
Lease liabilities	1,511	2,467	0	3,979
Liabilities to shareholders	4,928	0	2,812	7,741
Liabilities from participation rights	0	100	9,963	10,063
As at 01.01.2018	23,498	3,967	14,088	41,555

Liabilities to banks have both fixed and floating interest rates of between 0.55% and 3.47% (previous year: 0.55% and 4.5%). The weighted average interest rate for 2019 is 1.28% (previous year: 1.48%).

Land and buildings, technical equipment and machinery were pledged as collateral. The carrying amount of the pledged assets was €3,666 thousand (31.12.2018: €11,078 thousand; 01.01.2018: €11,078 thousand) as at the end of the reporting period.

As at the end of the reporting period, there is total profit participation capital of €9,963 thousand (01.01.2018: €10,063 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 consolidated net profits of the Vorwerk Group in the form of floating-rate interest. The total interest rate of the profit participation rights in fiscal year 2019 was 3.6%. The profit participation rights can be cancelled for the first time effective 31 December 2039.

Liabilities to shareholders comprise shares of profits which may be withdrawn, withdrawals, interest and other payments between Friedrich Vorwerk KG (GmbH & Co.) and the limited partners and a non-current shareholder loan. Claims which may be withdrawn are recognised promptly.

13. Other liabilities

Other liabilities break down as follows:

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Short term			
Value added tax	6,908	2,555	2,005
Wages and salaries	2,254	452	217
Consortium (construction working groups)	4,304	3,228	1,151
Wage tax	153	541	378
Associates	0	0	72
Social security benefits	587	188	227
Debtors with credit balances	70	1	0
Miscellaneous	496	751	217
	14,773	7,716	4,267
Total	14,773	7,716	4,267

14. Provisions

14.1 Other provisions

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

	31.12.2018	First-time consolidation	Utilisation	Reversal	Addition	31.12.2019
	€k	€k	€k	€k	€k	€k
Accruals and short term						
Outstanding invoices	1,417	8,061	-870	-50	9,409	17,967
Project completion costs	0	1,687	-1,602	-85	0	0
Holiday	1,909	1,001	-2,083	-37	2,017	2,808
Personnel cost	0	491	-12	-39	312	753
Warranty costs	533	274	-3	-6	264	1,061
Variable salary and commission	0	221	0	-27	54	248
Accounting and audit costs	123	95	-113	-1	256	360
Provision for onerous contracts	0	3	-3	0	0	0
Employers' liability insurance association	143	20	-129	-14	696	716
Flexitime	0	356	-13	0	0	344
Miscellaneous	232	82	0	-217	62	159
	4,357	12,291	-4,826	-475	13,069	24,416

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

14.2 Tax provisions

Tax provisions break down as follows:

	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Corporate income tax	388	218	84
Trade income tax	3,683	1,357	100
Carrying amount as at 31 Dec.	4,071	1,575	183

15. Leases

Lease liabilities	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Land and buildings	3,442	0	0
Technical equipment and machinery	3,968	4,308	3,647
Other equipment, operating and office equipment	1,803	1,331	332
Total	9,213	5,640	3,979

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

Lease liabilities	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Long term	7,620	3,543	2,467
Short term	4,239	2,855	1,511
Total	11,859	6,399	3,979

The following amounts were recognised in the consolidated statement of comprehensive income in connection with leases in the 2019 and 2018 financial years:

Amounts recognised in the consolidated statement of comprehensive income	2019	2018
	€k	€k
Depreciation and amortization	3,084	2,627
thereof land and buildings	66	0
thereof technical equipment and machinery	2,447	2,118
thereof other equipment, operating and office equipment	571	509
Interest expense	72	59
Expenses for short-term leases	2,494	1,384
Total	5,650	4,070

Total cash outflows for leases (including payments for short-term and low-value leases) amount to €5,977 thousand in the 2019 financial year (previous year: €4,483 thousand).

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €179 million in the 2019 financial year (previous year: €106 million). Revenue development is discussed in the management report.

2. Income from joint ventures

	2019 €k	2018 €k
Results from joint ventures recognised in financial assets	4,935	4,204
Results from joint ventures recognised in receivables and liabilities	-750	-309
Total	4,185	3,895

Shares of the Vorwerk Group in the cumulated profits of working groups classified as joint ventures are recognised in financial assets under investments in joint ventures. Vorwerk Group revenue from trade receivables to and services for working groups are recognised under revenue. Capital paid in to a working group is recognised together with any receivables from working groups less capital withdrawals and cumulated losses under trade receivables or if the balance is a liability under trade payables.

3. Other operating income

	2019 €k	2018 €k
Income from own work capitalised	54	24
Income from the reversal of provisions	475	46
Income from offsetting remuneration in kind	520	460
Income from insurance compensation	43	249
Income from exchange rate gains	61	14
Income from other items	357	308
Total	1,510	1,101

4. Other operating expenses

	2019	2018
	€k	€k
Maintenance expenses	-3,507	-3,164
Travel costs/vehicle costs	-1,254	-1,246
Legal and consulting	-1,711	-425
Other services	-106	0
Rental agreements and leasing	-2,494	-1,384
Insurance	-785	-754
Advertising costs	-107	-106
Costs for telephone, post and data communication	-254	-255
Contributions and fees	-319	-618
Training	-420	-66
Office supplies	-264	-173
Other personnel-related expenses	-684	-440
Incidental costs for monetary transactions	-27	-41
Loss of receivables and bad debt allowances	-147	0
Foreign currency losses	-23	-8
Miscellaneous other operating expenses	-2,748	-1,336
Total	-14,851	-10,014

5. Other interest and similar income

	2019	2018
	€k	€k
Other interest and similar income	119	98
Total	119	98

6. Interest and similar expenses

	2019	2018
	€k	€k
Bank interest	-226	-234
Other interest and similar expenses	-628	-928
Total	-853	-1,162

7. Taxes

Details on deferred tax assets and liabilities can be found under I.4.18 b) "Deferred taxes". Income tax of the parent company is 12.9%. Due to the legal form it is below the weighted average tax rate of the Vorwerk Group of 15.7% (previous year: 11.6%). In recognising deferred taxes, the future local tax income rate is applied.

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	-557	-160
Trade income tax	-2,188	-1,697
Deferred taxes	-1,794	-116
Total	-4,539	-1,973

	2019	2018
	€k	€k
Consolidated net profit before income tax	32,923	12,419
Income tax expense	-4,539	-1,973
Current tax rate	13.8%	15.9%

	2019	2018
	€k	€k
Earnings before taxes (EBT)	33,097	12,586
Other taxes	-173	-168
Applicable (statutory) tax rate	12.9%	12.9%
Expected tax expense	4,235	1,597
Effects of non-deductible expenses and tax-free income	-128	21
Taxes relating to other periods	-146	-21
Effects due to the use or addition of losses carried forward	-145	546
Tax effect due to deviations to the expected income tax rate	794	-157
Other tax effects	-71	-13
Current tax expense	4,539	1,973

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 Vorwerk 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 €k	Current liabilities to banks €k	Non-current lease liabilities €k	Current lease liabilities €k	Total €k
Balance sheet as at 01 Jan 2018	2,713	3,358	2,467	1,511	
Borrowing	4,000	5,505	0	0	9,505
Redemption	-6,350	-4,662	0	-3,041	-14,053
Cash effective changes	-2,350	843	0	-3,041	-4,548
Reclassifications	2,311	-2,311	-1,754	1,754	0
Changes in the scope of consolidation	0	3,767	346	1,746	5,859
New leases	0	0	2,484	884	3,368
Non cash effective changes	2,311	1,456	1,076	4,384	9,227
Balance sheet as at 31 Dec 2018	2,673	5,657	3,543	2,855	
Borrowing	8,000	13,000	0	0	21,000
Redemption	-2,350	-18,306	0	-3,411	-24,067
Cash effective changes	5,650	-5,306	0	-3,411	-3,067
Borrowing	0	0	0	2,700	2,700
Reclassifications	-969	969	-655	655	0
Changes in the scope of consolidation	0	0	4,101	1,253	5,354
New leases	0	0	631	187	818
Non cash effective changes	-969	969	4,077	4,795	8,872
Balance sheet as at 31 Dec 2019	7,354	1,320	7,620	4,239	

VI. Additional disclosures on financial instruments

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

€k	Classification according to IFRS 9*	31.12.2019	
		Carrying amount	Fair Value
Assets			
Trade receivables	AC	24,568	
Other financial assets	AC	2,679	
Cash and cash equivalents	AC	52,361	
Liabilities			
Liabilities to banks	FLaC	8,674	8,891
Liabilities from participation rights	FLaC	9,963	13,346
Trade payables	FLaC	6,083	
Other financial liabilities	FLaC	4,304	
Liabilities to shareholders	FLaC	18,690	
Aggregated according to category			
Assets	AC	79,608	
Liabilities	FLaC	47,715	

* 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.

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 and liabilities from profit participation rights 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.

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 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 €79,608 thousand in the year under review (31.12.2018: €33,119 thousand; 01.01.2018: €18,119 thousand). Business relationships are only entered into with partners of good credit standing. Trade receivables relate to a number of customers in various 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.12 "Liabilities" and II.13 "Other liabilities" for details of the maturities of financial liabilities.

The measurement of the financial assets and liabilities of the Vorwerk 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:

	31.12.2019	31.12.2018	01.01.2018
Equity in €k	37,880	23,661	20,462
- <i>in % of total capital</i>	22.6%	27.3%	31.5%
Liabilities in €k	129,586	63,089	44,435
- <i>in % of total capital</i>	77.4%	72.7%	68.5%
Current liabilities in €k	92,291	41,332	24,540
- <i>in % of total capital</i>	55.1%	47.6%	37.8%
Non-current liabilities in €k	37,295	21,757	19,895
- <i>in % of total capital</i>	22.3%	25.1%	30.7%
Net gearing*	-0.8	0.2	0.3

* Calculated as the ratio of financial liabilities less cash and cash equivalents to equity.

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 Vorwerk 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 the simplified approach.

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

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the 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 Vorwerk 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 of €2,363 thousand as at the end of the reporting period (previous year: €2,713 thousand). If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €51 thousand lower (higher).

5. 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. 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.

Type of liability	Carrying amount €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	8,674	1,423	4,760	2,898
Liabilities from participation rights	9,963	360	1,478	16,348
Trade payables	6,083	6,083	0	0
Other financial liabilities	4,304	4,304	0	0
Liabilities to shareholders	18,690	14,374	2,166	2,896
Lease liabilities	11,859	4,341	6,041	1,746
Total	59,574	30,885	14,445	23,888

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

Vorwerk Verwaltungs GmbH, Tostedt, is the personally liable partner of Friedrich Vorwerk KG (GmbH & Co.), Tostedt. Vorwerk Verwaltungs GmbH, Tostedt, manages the company.

Management

The Managing Directors of the company are:

- Klaus-Dieter Ehlen, graduate engineer, Sittensen,
- Torben Kleinfeldt, engineering and business graduate, Hamburg,
- Kevin Loots, graduate engineer, Barssel

2. Executive body remuneration

Structure of management remuneration

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

- fixed basic annual remuneration,
- short-term variable remuneration based on the financial year

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 can include the provision of a company car, insurance contributions, travel costs and other fringe benefits. Furthermore, the managing directors are covered by a Group D&O insurance (via MBB SE, Berlin).

Short-term variable remuneration

The short-term variable remuneration is measured according to the Group's return on sales.

Amount of remuneration

In the financial year total remuneration paid to management totalled €1,016.5 thousand (previous year: €816.5 thousand).

3. Related party transactions

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

31. Related persons

Vorwerk Group also reports on transactions with related parties and their relatives in accordance with IAS 24. Management and their relatives and the limited partner Irene Vorwerk 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 the management.

Their remuneration was as follows:

	2019	2018
	€k	€k
Salaries and other short-term benefits	1,017	816
Total	1,017	816

The management was remunerated via Vorwerk Verwaltungs GmbH. In addition, Vorwerk Verwaltungs GmbH received liability remuneration of €3 thousand (previous year: €3 thousand) from Friedrich Vorwerk KG (GmbH & Co.).

Management

In April 2019, Friedrich Vorwerk KG (GmbH & Co.) sold several plots of land to KLEH Immobilien GmbH & Co. KG, Tostedt, at a price of €300 thousand. KLEH Immobilien GmbH & Co. KG is allocated to the Managing Directors Torben Kleinfeldt and Klaus-Dieter Ehlen.

As at the end of the reporting period there is a arm's length rental agreement with KLEH Immobilien GmbH & Co. KG for residential space for Friedrich Vorwerk KG (GmbH & Co.). The total transaction volume from this rental agreement in the 2019 financial year amounts to €10 thousand (previous year: €0 thousand). As at the end of the reporting period the balance from transactions with KLEH Immobilien GmbH & Co. KG is €1 thousand.

In the previous year, Managing Director Kevin Loots was granted a loan of €200 thousand via Friedrich Vorwerk KG (GmbH & Co.). The loan was fully repaid in the reporting year.

Please refer to the information on the remuneration paid to the members of the executive bodies for further details.

Irene Vorwerk

For Friedrich Vorwerk KG (GmbH & Co.) there is a rental agreement with Irene Vorwerk relating to office space for the company in Tostedt. The rental agreement has a fixed duration until the end of 2022 and is subsequently extended automatically if it is not terminated by one of the parties with a notice period of twelve months. The rent was established on an arm's-length basis. The total transaction volume from this rental agreement in the 2019 financial year amounts to €135 thousand (previous year: €135 thousand). As at the end of the reporting period there are no existing balances.

Irene Vorwerk granted Friedrich Vorwerk KG (GmbH & Co. KG) shareholder loans at a standard rate of interest and a fixed duration to 31 December 2025. As at the end of the reporting period the balance is €2,812 thousand (previous year: €2,812 thousand). In the financial year, the interest expense totalled €84 thousand (previous year: €84 thousand).

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.

In addition, related companies are MBB SE, as parent of Friedrich Vorwerk KG (GmbH & Co.), and the companies included in consolidation by MBB SE. Transactions were performed with these companies at market conditions.

Friedrich Vorwerk KG (GmbH & Co.) paid MBB SE €562 thousand for consulting services in the 2019 financial year (previous year: €0 thousand). As at the end of the reporting period there are no existing balances.

Please refer to note II.4 (Working group disclosures) for information on 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
Technical staff and employees	862	715
Total	862	715

	31.12.2019	31.12.2018
As at the reporting date	Headcount	Headcount
Technical staff and employees	1,239	705
Total	1,239	705

Vorwerk Group has 89 (previous year: 47) persons 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 and 2018 financial years break down as follows:

	2019	2018
	€k	€k
Audit services	165	78
Tax consulting services	0	0
Other services	0	74
Total	165	152

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 and business in Germany. 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 of the current situation and future developments.

By resolution of the Annual General Meeting of Friedrich Vorwerk Group SE, entered in the commercial register of the Tostedt District Court under HRB 208170, on 25 September 2020 the shareholders MBB SE, Berlin, and ALX Beteiligungsgesellschaft mbH, Tostedt, transferred a stake of 89.925% in Friedrich Vorwerk KG (GmbH & Co.) to Friedrich Vorwerk Group SE by way of a capital increase. As a result from the 2020 financial year, Friedrich Vorwerk Group SE is the new parent company of the Vorwerk Group.

By resolution of the Annual General Meeting on 6 July 2020, the following members were appointed to the Friedrich Vorwerk Group SE Supervisory Board:

- Klaus Seidel, business graduate, Moritzburg (until 28 July 2020)
- Gert-Maria Freimuth, business graduate, Münster
- Anton Breitkopf, business management graduate, Cologne
- Dr. Christof Nesemeier, business graduate, Berlin (from 28 July 2020)

By resolution of the Annual General Meeting on 28 July 2020, Dr. Christof Nesemeier was elected Chairman of the Friedrich Vorwerk Group SE Supervisory Board and Gert-Maria Freimuth as his deputy.

Torben Kleinfeldt was appointed as Managing Board and authorised sole representative of Friedrich Vorwerk Group SE.

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 Vorwerk Group holds investments.

8. Other financial liabilities

The majority of operating leases were recognised as rights of use and lease liabilities. There are exceptions for short-term leases, leases for low-value assets and variable lease payments.

As at 31 December 2019 and in previous-year period, off-balance sheet obligations are as follows:

Other financial liabilities	31.12.2019	31.12.2018	01.01.2018
	€k	€k	€k
Up to one year	2,268	0	587
More than one year and up to five years	0	0	0
Over five years	0	0	0
Total	2,268	0	587

9. 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.

10. Exemption under section 264(3) HGB

These consolidated financial statements exempt EAS Einhaus Anlagenservice GmbH, European Pipeline Services GmbH, Friedrich Vorwerk KG (GmbH & Co.), Vorwerk – ASA GmbH, Vorwerk-EEE GmbH and Vorwerk Pipeline- und Anlagenservice GmbH in accordance with sections 264(3) and 264b HGB.

Tostedt, 6 November 2020

The management

Independent auditor's report

The following audit opinions relate to the consolidated financial statements prepared in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB and the group management report of Friedrich Vorwerk KG (GmbH & Co.) for the financial year ended 31 December 2019 prepared in accordance with German commercial law as a whole and not solely to the consolidated financial statements reproduced on the preceding pages of this Prospectus.

To Friedrich Vorwerk KG (GmbH & Co.), Tostedt

Audit opinions

We have audited the consolidated financial statements of Friedrich Vorwerk KG (GmbH & Co.) 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 Friedrich Vorwerk KG (GmbH & Co.) for the financial year from 1 January 2019 to 31 December 2019.

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.

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) 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 German law and have fulfilled our other German professional obligations in accordance with these requirements. 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.

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

The legal representatives are responsible for the preparation of the consolidated financial statements 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 in compliance with these accounting principles. Furthermore, the legal representatives 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, legal representatives 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 legal representatives 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 legal representatives 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.

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 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 legal representatives;
- We draw conclusions about the appropriateness of the going concern principle applied by the company's legal representatives 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 legal representatives. 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.

Düsseldorf, 6 November 2020

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grote	Geller
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

English-language Translation of the German-language

Audited Unconsolidated Financial Statements

of Friedrich Vorwerk Group SE

**Prepared in Accordance with the German Commercial Code (*Han-*
delsgesetzbuch)**

as of and for the Fiscal Year Ended December 31, 2020

Assets				Equity and Liabilities			
		31 Dec 2019				31 Dec 2019	
	€	€	€		€	€	€
A. Non-current assets				A. Equity			
<u>I. Financial assets</u>				<u>I. Subscribed capital</u>			
1. Shares in affiliated companies	19,743,146.80	19,743,146.80	0.00	Subscribed capital	3,120,000.00		120,000.00
				Uncalled outstanding deposits	0.00		-90,000.00
B. Current assets				<u>II. Capital reserve</u>			
<u>I. Receivables and other assets</u>				Capital reserve	16,611,146.80		0.00
1. Receivables from affiliated companies	27,578,993.15		0.00	<u>III. Net income</u>	<u>25,126,899.18</u>	44,858,045.98	0.00
<u>II. Cash in hand and bank balances</u>	<u>5,315.31</u>	27,584,308.46	30,000.00	B. Provisions			
				1. Tax provisions	2,430,556.37		0.00
				2. Other provisions	<u>2,750.00</u>	2,433,306.37	0.00
				C. Liabilities			
				1. Liabilities to affiliated companies	36,102.91		0.00
				- thereof with a duration up to one year	36,102.91 €		
				(previous year:	0.00 €)		
						<u>36,102.91</u>	
							<u>30,000.00</u>
							<u>47,327,455.26</u>
							<u>30,000.00</u>
							<u>47,327,455.26</u>
							<u>30,000.00</u>

Statement of profit or loss
for the period ended 31 December 2020

	€	2019	€
1. Other operating expenses	21,434.69		0.00
2. Income from investments	28,903,319.69		0.00
- thereof from affiliated companies			
28,903,319.69 € (pre 0.00 €)			
3. Financial expenses	102.91		0.00
4. Result from ordinary business activities	28,881,782.09		0.00
5. Income taxes	3,754,882.91		0.00
6. Net income	25,126,899.18		0.00
7. Profit carried forward from the previous year	0.00		0.00
8. Unappropriated surplus	25,126,899.18		0.00

Notes to the financial statements 2020

I. General information

Friedrich Vorwerk Group SE (formerly: Youco M19-H-99 dual Vorrats-SE) has its registered office at Niedersachsenstraße 19-21, 21255 Tostedt, Germany. It is registered in the Commercial Register of the Local Court of Tostedt under the number HRB 208170. In the year under review, Friedrich Vorwerk Group SE became the parent company of the Vorwerk Group by contribution of a limited partnership interest in Friedrich Vorwerk SE & Co. KG. In the previous year, the company was a shelf company with no operating business activities.

The annual financial statements of Friedrich Vorwerk Group SE are prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. The company is considered to be a micro-corporation pursuant to Section 267a of the German Commercial Code (HGB).

The total cost method pursuant to § 275 (2) HGB is used for the profit and loss account.

II. Accounting policies

Under financial assets, shares in affiliated companies are carried at cost.

Receivables and other assets are stated at the lower of nominal value or fair value.

Cash and cash equivalents are stated at nominal value.

Share capital and reserves are stated at nominal value.

Accruals are recognized at the settlement amount deemed necessary by prudent business judgment. In measuring other accruals, sufficient account is taken of all identifiable risks not covered by other balance sheet items. Other provisions are recognized for uncertain liabilities.

Liabilities are recognized at their respective settlement amounts.

III. Notes to the balance sheet

The breakdown and development of fixed assets in the 2020 financial year is presented in the statement of changes in fixed assets.

	Total cost 01/ 01/ 20	Additions in the financial year	Reclassi- fication	Disposals in the financial year	Total cost 31/ 12/ 20	Write-downs 01/ 01/ 20	Additions in the financial year	Disposals in the financial year	Reversal of write- downs	Write-downs 31/ 12/ 20	Carrying amount at the end of financial year	Carrying amount at the end of previous year
31 Dec 2020	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Financial assets												
1. Shares in affiliated companies	0	19,743	0	0	19,743	0	0	0	0	0	19,743	0
Total	0	19,743	0	0	19,743	0	0	0	0	0	19,743	0

The additions to shares in affiliated companies include the acquisition of 100% of the shares in Friedrich Vorwerk Management SE and the contribution in kind of 89.925% of the shares in Friedrich Vorwerk SE & Co. KG.

Receivables from affiliated companies of € 27,579.0 thousand (previous year: € 0.0 thousand) exclusively include receivables from the profit allocation of Friedrich Vorwerk SE & Co. KG. The receivables totaling € 27,579.0 thousand (previous year: € 0.0 thousand) reported in the balance sheet as of December 31, 2020 are due before the end of one year.

The subscribed capital stock amounts to € 3,120,000 (previous year: € 120,000) and is divided into 3,120,000 no-par value ordinary shares. The shares are registered shares. The share capital from the formation has been provided in cash; the share capital from the capital increase of September 25, 2020 in the amount of € 3,000,000 has been provided by way of a non-cash capital increase through the contribution of a limited partner's interest in the amount of € 1,798,500 in Friedrich Vorwerk SE & Co. KG. The shares issued as part of the capital increase are entitled to participate in profits from January 1, 2020.

The capital reserve arose from the contribution of the limited partner's interest in Friedrich Vorwerk SE & Co. KG in the reporting year.

The tax provisions include provisions for current income taxes.

Other provisions include provisions for acquisition costs in the amount of € 2.8 thousand. (previous year: € 0.0 thousand).

Liabilities to affiliated companies amounting to € 36.1 thousand (previous year: € 0.0 thousand) result from a loan from a subsidiary, including accrued interest.

The liabilities have the following maturities:

	Up to 1 year	More than 1 year and up to 5 years	Over 5 years	Total
	€k	€k	€k	€k
Liabilities to affiliated companies (previous year)	36 (0)	0 (0)	0 (0)	36 (0)
As at 31 Dec 2020 (previous year)	36 (0)	0 (0)	0 (0)	36 (0)

Contingent liabilities and contingencies

Friedrich Vorwerk Group SE has issued a hard letter of comfort for the following subsidiaries and is thus liable for the obligations entered into by the subsidiaries up to the reporting date (December 31, 2020) in the following fiscal year (2021):

- EAS Einhaus Anlagenservice GmbH, Geeste
- European Pipeline Services GmbH, Tostedt
- Friedrich Vorwerk SE & Co. KG, Tostedt
- Vorwerk - ASA GmbH, Herne
- Vorwerk-EEE GmbH, Tostedt
- Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg

This obligation shall only apply in the relationship between Friedrich Vorwerk Group SE and the respective Subsidiary and shall not give rise to any claims by third parties. Due to the economic situation of the companies, it is not expected that claims will be asserted under these letters of comfort.

IV. Notes to the income statement

Other operating expenses mainly comprise expenses in connection with the capital increase through contributions in kind and the contribution of the limited partnership interest. These include legal and notarial fees, auditing costs and taxes and fees.

Income from investments includes the profit allocation of Friedrich Vorwerk SE & Co. KG in the amount of € 28,903.3 thousand (previous year: € 0.0 thousand).

Taxes on income and earnings include corporate income tax and the solidarity surcharge relating to the pro rata profit of Friedrich Vorwerk SE & Co. KG.

V. Other information

Executive bodies

Management Board of Friedrich Vorwerk Group SE

- Torben Kleinfeldt, engineering graduate, business graduate, Chief Executive Officer (CEO), since 6 July 2020
- Tim Hameister, business management graduate (M.Sc.), Chief Financial Officer (CFO), since 12 November 2020
- Steffi Brettschneider, until 6 July 2020

Torben Kleinfeldt, Chief Executive Officer, is in charge of the areas of Strategic Development & Internationalisation, Strategic Sales, Procurement, Engineering, Investor Relations and Legal & Compliance. As the Chief Financial Officer, Tim Hameister is in charge of Finance, Controlling and HR.

Torben Kleinfeldt is also the Managing Director of ALX Beteiligungsgesellschaft mbH, Tostedt, and KLEH Immobilienverwaltung GmbH, Tostedt.

Supervisory Board of Friedrich Vorwerk Group SE

- Dr Christof Nesemeier, business graduate, Chairman, since 28 July 2020
- Gert-Maria Freimuth, business graduate, Deputy Chairman, since 6 July 2020
- Anton Breitkopf, business management graduate, member, since 6 July 2020
- Klaus Seidel, from 6 July 2020 to 28 July 2020
- Angelika Hundt, until 6 July 2020
- Simon Fritzsche, until 6 July 2020
- Kai Anschütz, until 6 July 2020

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

Gert-Maria Freimuth is also the Chairman of the Board of MBB SE, the Chairman of the Supervisory Board of Aumann AG, Chairman of the Supervisory Board of DTS IT AG and the Deputy Chairman of the Supervisory Board of Delignit AG.

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

Other financial obligations

There were no other financial obligations as of the balance sheet date.

Employees

Friedrich Vorwerk Group SE does not have any employees apart from the members of the Management Board.

Information on the auditor

The information on the auditor's fee pursuant to § 285 No. 17 of the German Commercial Code (HGB) has been omitted, as this information is included in the consolidated financial statements of Friedrich Vorwerk Group SE.

Group affiliation

Friedrich Vorwerk Group SE, Tostedt, prepares the consolidated financial statements for the smallest group of companies. These will be published in the electronic Federal Gazette.

MBB SE, Berlin, prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements will be published on the website www.mbb.com.

VI. Appropriation of profits

The Management Board and Supervisory Board discussed the appropriation of the net income for 2020 in the amount of € 25,126,899.19 on February 6, 2021. The Management Board proposes to distribute a dividend of € 8.05 per dividend-bearing share and to carry forward the remaining amount of € 10,899.19 to the next fiscal year.

VII. Disclosures pursuant to § 312 (3) Stock Corporation Act (AktG)

In the legal transactions and measures listed in the report on relations with affiliated companies, the Company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out or the measures were taken or omitted, and has not been disadvantaged by the fact that these measures were taken or omitted.

Tostedt, 6 February 2021

Torben Kleinfeldt
Chief Executive Officer

Tim Hameister
Chief Financial Officer

Auditor's report

The following auditor's opinion is a translation of the German language auditor's opinion

To: Friedrich Vorwerk Group SE, Tostedt,

Audit Opinion

We have audited the financial statements of Friedrich Vorwerk Group SE, Tostedt, - consisting of the balance sheet as at December 31, 2020, the income for the period January 1, 2020 through December 31, 2020 and the notes, including the presentation of the recognition and measurement policies.

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

- the accompanying financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1, 2020 through December 31, 2020 in compliance with German Legally Required Accounting Principles.

Pursuant to § 322 Para. 3 Clause 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements.

Basis for the Audit Opinion

We conducted our audit of the financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Responsibilities of the Legal Representatives and the Supervisory Board for the Financial Statements

The executive directors are responsible for the preparation of the financial statements that comply, in all material respects, with the requirements of German commercial law, and that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the financial statements.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial

Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls
- Obtain an understanding of internal control relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf, 6 February 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Rainer Grote
Wirtschaftsprüfer

Till Geller
Wirtschaftsprüfer

20. RECENT DEVELOPMENTS AND OUTLOOK

20.1. Recent Developments

20.1.1 Operative Developments

On December 18, 2020, the Vorwerk Group entered into a loan agreement with Commerzbank AG with a principal amount of EUR 1,600 thousand and a term until December 2027, which was paid out in January 2021. The interest rate amounts to 0.65%. The proceeds are used to refinance the acquisition of the site in Geeste. Moreover, on January 8, 2021, the Vorwerk Group entered into a loan agreement with Hamburger Sparkasse with a principal amount of EUR 8,950 thousand and a term until January 2031, which is expected to be paid out in March 2021. The interest rate amounts to 0.66%. The proceeds are used to finance the purchase of the site in Wiesmoor.

20.1.2 Shareholders Meeting held on February 10, 2021

On February 10, 2021, we held our ordinary shareholders' meeting. The shareholders' meeting of the Company resolved to increase the Company's share capital from EUR 3,120,000.00 by EUR 14,880,000.00 to EUR 18,000,000.00 from the Company's reserves. The change was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany on February 22, 2021. In addition, the Company's shareholders resolved on the payment of a dividend in respect of the fiscal year ended December 31, 2020 in the amount of EUR 25,116 thousand, which was paid out in February 2021. The shareholders' meeting also resolved on the transformation of the Shares from registered shares (*Namensaktien*) to ordinary bearer shares. The shareholders' meeting also replaced the members of the Supervisory Board, Mr. Anton Breitkopf, with Dr. Julian Deutz, and Mr. Gert-Maria Freimuth with Heike von der Heyden.

20.1.3 Shareholders Meeting held on February 24, 2021

On February 24, 2021, we held an extraordinary shareholders' meeting to resolve on the creation of the Conditional Capital and the authorization of the Management Board to issue convertible bonds and option bonds. Please refer to "14.4. Conditional Capital" and "14.5. Authorization to Issue Convertible Bonds and Option Bonds" for further details. The amendment of the Articles of Association was registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Tostedt, Germany on March 3, 2021.

20.1.4 Acquisition of Korupp-GmbH

On February 26, 2021, we entered into a share purchase agreement in regards to the entire share capital in Korupp-GmbH, a provider of services and products in the field of cathodic corrosion protection ("**Korupp**"). We believe that we will benefit from Korupp's long-standing expertise in the engineering, installation and service of systems for cathodic corrosion protection. We estimate that the demand for such solutions will grow significantly in the course of the clean energy transition, primarily driven by the installation of new underground power lines and the resulting need to protect existing energy infrastructure in the vicinity of these lines, as well as by the installation of new underground hydrogen pipelines and the retrofitting of existing gas grids (please refer to "10.6.2.2. Grid safety systems" for a more details). Of particular relevance for cathodic corrosion protection are Korupp's solid-state electrodes technology solutions that are developed and manufactured at the company's headquarters in Twist, Germany by more than 20 engineering specialists. The purchase price amounts to a low single-digit million euro amount. In addition to the entire share capital in Korupp, we acquired Korupp's production facilities and office premises in Twist, Germany in an asset deal.

20.2. Outlook

We believe that our technological expertise, our ability to execute projects on a turnkey basis, our long-standing relationships with our customers, the extensive certifications required to operate our business, as well as our strong aftermarket services offering position us well to capture growth opportunities in our end markets, which are particularly driven by the transition to a clean energy and the trend toward de-carbonized energy technologies. We expect that the key drivers for our overall revenue development in the medium term (*i.e.*, the next three to five years) and the long term (*i.e.*, in the next seven to ten years) will be the trends toward large-scale electrification and the ramp-up of the hydrogen economy.

We expect the revenue contribution of the Natural Gas segment to decrease from currently approximately 74% for the fiscal year ended December 31, 2020 to approximately 35% in the medium term and to further decrease to approximately 10% in the long term. As we believe that demand for Natural Gas infrastructure solutions will remain high in the medium and even long term in order to counterbalance the loss of coal and nuclear power production capacity, this relative decrease of importance of the Natural Gas segment in our product mix will only have a minor effect on our total revenue in absolute terms. The revenue contribution of the Electricity segment is expected to increase from currently approximately 12% for the fiscal year ended December 31, 2020 to approximately 35% in the medium term and long term, primarily due to the trend towards large-scale electrification and the need for grid integration of renewables. In the medium term, the revenue contribution of the Hydrogen segment is expected to significantly increase from currently approximately 1% for the fiscal year ended December 31, 2020 to more than 25% in the medium term and to further increase to more than 50% due to the overall trends discussed above and the industrial-scale deployment of electrolyzers and the development of the EU hydrogen backbone. We expect that the revenue contribution of the Adjacent Opportunities segment will decrease from currently approximately 13% for the fiscal year ended December 31, 2020 to approximately 5% in the medium term and long term.

In terms of capital expenditures, we target to maintain the maintenance capital expenditure ratio (as percentage of revenue) of currently 3% in the medium and long term. In the next three to five years we plan to undertake growth investments of an aggregate of EUR 75 million, primarily in hydrogen technologies, digitalization and capacity increase. In the long term, the growth capital expenditure ratio (as percentage of revenue) is expected to amount to 1-2%. Depreciation will increase in line with growth investments and amount to 4-5% of the expected revenue in the medium and long term. Working capital is also expected to remain at current levels as a result of our tight working capital management and to amount to 10-15% of the expected revenue in the medium and long term.

Driven by these factors, the Company targets a double digit revenue growth rate per annum in the medium and long term. For the fiscal year ended December 31, 2020, Vorwerk Group has been able to achieve an EBIT margin of more than 16%. Although Vorwerk Group's EBIT margin may vary from period to period due to the magnitude, order and timeline of the implementation of investments and other factors, the Company targets an EBIT margin at this level in the near term and to moderately increase the EBIT margin in the medium and long term by capitalizing on the growth trends in its industries, on particular with respect to clean hydrogen, and by leveraging Vorwerk Group's efficient / capital-light business model, further supported by high barriers of entry.

21. GLOSSARY

Term	Meaning
2019 Acquisition	The acquisition of 100% of Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH completed on December 10, 2019
Acquisition Offer	A public offer directed at all shareholders or a public solicitation to submit offers
Adjusted EBIT	Our Adjusted EBITDA minus depreciation and amortization as stated in the Audited Consolidated Financial Statements and adjusted for depreciation and amortization on assets capitalized in connection with purchase price allocations
Adjusted EBIT margin	The Adjusted EBIT divided by Adjusted Revenue
Adjusted EBITDA	Our EBITDA (<i>i.e.</i> , profit for the period before financial income, financial costs, income taxes, other taxes, depreciation and amortization) adjusted for income from initial consolidation, which is due to the "Badwill" realized in connection with acquisitions, and minus the EBITDA contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward
Adjusted EBITDA margin	The Adjusted EBITDA divided by Adjusted Revenue
Adjusted EBT	Our Adjusted EBIT minus financial income and financial costs as stated in the Audited Consolidated Financial Statements
Adjusted Net Profit	Our Adjusted EBT minus income taxes and other taxes as stated in the Audited Consolidated Financial Statements and adjusted for deferred taxes in connection with purchase price allocations and for taxes attributable to the offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward
Adjusted Revenue	The sum of revenue as shown in our Audited Consolidated Financial Statements minus the revenue contributions from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward
Alternative Performance Measure	Depreciation and amortization and deferred taxes in connection with business combinations and the contributions to our Revenue, EBITDA, EBIT, EBT and Net Profit, respectively, from offshore operations conducted by Bohlen & Doyen which we decided to discontinue going forward
ALX	ALX Beteiligungsgesellschaft mbH
Anton Meyer Joint Venture	On December 10, 2018, Vorwerk KG entered into a joint venture agreement with Anton Meyer GmbH & Co. KG, PPS Pipeline Systems GmbH and HABAU Hoch- und Tiefbaugesellschaft m.b.H as a 25% stakeholder of the Arbeitsgemeinschaft Zeelink Los 3 – 5, a company under civil law (GbR) with its registered office in Quackenbrück Germany
ARGE	Project joint venture (<i>Arbeitsgemeinschaft</i>)
Articles of Association	The Company's articles of association

Term	Meaning
ASME	American Society of Mechanical Engineers
ATEX	Explosion Protected
Audited Consolidated Financial Statements	The Audited Consolidated Financial Statements 2020 together with the Audited Consolidated Financial Statements 2019.
Audited Consolidated Financial Statements 2019	The audited consolidated financial statements prepared by Friedrich Vorwerk KG (GmbH & Co.) in accordance with IFRS as of and for the fiscal year ended December 31, 2019
Audited Consolidated Financial Statements 2020	The audited consolidated financial statements prepared by Friedrich Vorwerk Group SE in accordance with IFRS as of and for the fiscal year ended December 31, 2020
Audited Financial Statements 2019	The audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2019
Audited Financial Statements 2020	The audited unconsolidated financial statements as of and for the fiscal year ended December 31, 2020, which were prepared in accordance with the German Commercial Code (<i>Handelsgesetzbuch</i>)
Audited Unconsolidated Financial Statements	The audited unconsolidated financial statements prepared by the Company in accordance with the German Commercial Code (<i>Handelsgesetzbuch</i>) as of and for the fiscal year ended December 31, 2020
Authorized Capital	The Company's authorized capital pursuant to Section 4(3) of the Articles of Association in conjunction with Sections 202 et seqq. Of the German Stock Corporation Act (<i>Aktiengesetz</i>)
Badwill	Income from initial consolidation
BaFin	The German Federal Financial Supervisory Authority (<i>Bundesanstalt für Finanzdienstleistungsaufsicht</i>)
Berenberg	Joh. Berenberg, Gossler & Co. KG
BMWi	Germany's Federal Ministry for Economic Affairs and Energy
BoDo Boskalis Joint Venture	On March 3, 2019, Bohlen & Doyen GmbH entered into a joint venture agreement with BoskalisOffshore Subops GmbH as 45.6% stakeholder of the Consortium BoDo Boskalis DolWin6 Project with its registered office in Hamburg, Germany
Bohlen & Doyen	Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH

Term	Meaning
Bonds	Bearer or registered convertible bonds and option bonds, participation rights and participating bonds or combinations of these instruments
BOP	Balance of plants
Capital Contributions	Pursuant to the Contribution Agreements, MBB SE contributed by assignment 59.950% of the limited partner interests (<i>Kommanditanteile</i>) with a liability amount (<i>Haftsumme</i>) of EUR 1,199,000.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the Company and ALX Beteiligungsgesellschaft mbH contributed by assignment 29.975% of the limited partner interests with a liability amount of EUR 599,500.00 in Friedrich Vorwerk SE & Co. KG, Tostedt, Germany to the Company
CCUS	Refers to carbon-capture, utilization and storage, a technique, which prevents carbon dioxide (CO ₂) generated in the production process from being released freely into the atmosphere.
CEO	Chief executive officer
CFO	Chief financial officer
Clean hydrogen	Refers to hydrogen which is produced with zero carbon emissions, <i>i.e.</i> , through the process of water electrolysis using renewable – such as solar and wind – energies or nuclear power, or low carbon emissions where the hydrogen is produced from conventional fossil fuels with CCUS.
Clearstream Banking AG	Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany
Code	The German Corporate Governance Code (<i>Deutscher Corporate Governance Kodex</i>), which was adopted by a governmental commission on the German Corporate Governance Code on February 26, 2002 and currently applies in the version dated December 16, 2019
Company	Friedrich Vorwerk Group SE
Conditional Capital	The Company's conditional capital pursuant to Section 4(4) of the Articles of Association in conjunction with Sections 192 et seqq. Of the German Stock Corporation Act (<i>Aktiengesetz</i>).
Contribution Agreements	Contribution Agreements (<i>Einbringungsverträge</i>) with the Company concluded on September 25, 2020 by each of MBB SE and ALX Beteiligungsgesellschaft mbH, respectively
Cost Sharing and Indemnification Agreement	The cost sharing and indemnification agreement regarding the allocation of costs and liability in connection with the Offering entered into between the Selling Shareholders and the Company on March 15, 2021
COVID-19	Ongoing Coronavirus pandemic
D&O Insurance	Directors and Officers Insurance
DCS	Digital Control System
Draft Directive	A proposal for a Council Directive adopted by the EU Commission on February 14, 2013 on a common financial transactions tax
DSO/s	Distribution System Operator/s

Term	Meaning
DVGW	Deutscher Verein des Gas und Wasserfaches
E&P	Exploration & production
EAS	EAS Einhaus Anlagenservice GmbH
EBIT	Earnings before finance result and income tax
ECHA	European Chemicals Agency
EEA	European Economic Area
EHS	Environmental, health and safety
EMSR	Electronic measurement and control
ENISA	Regulation (EU) 2019/881 on the European Union Agency for Cybersecurity
ENTSO-E	European Network of Transmission System Operators for Electricity
EPS	European Pipeline Services GmbH
Equity ratio	Is calculated by dividing total equity by total assets, each item as shown in the Audited Consolidated Financial Statements
ESD	Emergency Shut Down System
ESG	Environment, Social and Governance principles
ETL Joint Venture	On August 20, 2020, Vorwerk KG entered into a joint venture agreement with PPS Pipeline Systems GmbH and HABAU Hoch- und Tiefbaugesellschaft m.b.H as a 40% stakeholder of the Arbeitsgemeinschaft ETL 178
ETS	Emissions Trading System
EU	The European Union
EUGAL Joint Venture	On December 23, 2018, Vorwerk KG entered into a joint venture agreement with DENYS NV and Anton Meyer GmbH & Co. KG as a 37.5% stakeholder of the Arbeitsgemeinschaft EUGAL Los 7 und 8, a company under civil law (GbR) with its registered office in Neuhaus Germany
EUR	The single European currency (Euro)
EUR million	Millions of EUR
EUR thousand	Thousands of EUR
Euro	The single European currency
Executives	Persons discharging managerial responsibilities within the meaning of Art. 3 para. 1 no. 25 Market Abuse Regulation
FAT	Factory Acceptance Tests

Term	Meaning
Federal Network Agency	The German Federal Network Agency (<i>Bundesnetzagentur</i>)
fiscal year 2018	The fiscal year ended December 31, 2018
fiscal year 2019	The fiscal year ended December 31, 2019
fiscal year 2020	The fiscal year ended December 31, 2020
Foundation	Irene and Friedrich Vorwerk Foundation
FTT	Financial transaction tax
GbR	A German private partnership (<i>Gesellschaft bürgerlichen Rechts</i>)
GDP	Gross domestic product
GDPR	Regulation (EU) 2016/679 (General Data Protection Regulation)
GDRA	Gas Pressure Regulating Systems
GDRMA	Gas Pressure Regulating and Metering Stations
German Federal Energy Line Expansion Act	Energieleitungsausbaugesetz
Germany	Federal Republic of Germany
GHG	Greenhouse Gas
GPA	Government Procurement Agreement (<i>Übereinkommen über das öffentliche Beschaffungswesen</i>)
Greenshoe Option	An option granted to the Joint Bookrunners – and exercisable by the Stabilization Manager within 30 calendar days after the commencement of the trading of shares on the stock exchange – by the Selling Shareholders whereby the Joint Bookrunners may choose to acquire all or part of the allotted Over-Allotment Shares against payment of the Offer price less agreed commissions in order to satisfy the retransfer obligation under the securities loan (<i>i.e.</i> , the Over-Allotment)
Greenshoe Shares	The Over-Allotment Shares purchased by the Joint Bookrunners pursuant to the exercising of the Greenshoe Option by the Stabilization Manager
Hauck & Aufhäuser	Hauck & Aufhäuser Privatbankiers Aktiengesellschaft
HCD	Refers to the Horizontal Casing Drilling technology, a so-called in-pipe drilling method, where the cable pipe is inserted simultaneously with the drill string which is particularly advantageous when operating in porous and soft environments.
HDD	Horizontal Directional Drilling
Holders	The holders or creditors of option bonds, option participation rights, or option participating bonds

Term	Meaning
HVAC	High-voltage (380 kV) AC cable lines
HVDC	High Voltage Direct Current
IFRS	International Financial Reporting Standards as applicable in the European Union
IMS	Integrated management system
IPCC	The UN International Panel on Climate Change
ISIN	International securities identification number
IT	Information technology
Jefferies	Jefferies GmbH
Jefferies International	Jefferies International Limited
Joint Bookrunners	Berenberg, Jefferies and Hauck & Aufhäuser
Joint Global Coordinators	Berenberg and Jefferies
LEI	Legal Entity Identifier
Like-for-Like	Refers to the like-for-like financial information prepared for all line items of the income statement for the fiscal year ended December 31, 2019 as included in the notes to the Audited Consolidated Financial Statements 2020. Such Like-for-Like Financial Information presents income statement line items as if Bohlen & Doyen Bau GmbH, Wiesmoor and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor had been part of the Vorwerk Group for the full fiscal year 2019.
Like-for-Like Financial Information	Like-for-like financial information for all line items of the income statement in the notes to the Audited Consolidated Financial Statements 2020
Listing	The listing of the Shares on the regulated market segment (<i>Regulierter Markt</i>) of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard)
Lock-up Shares	Shares of the Company held by the Selling Shareholders or any of its affiliated companies (other than members of the Vorwerk Group)
LTI	Long-term incentive compensation
Major Shareholders	The Selling Shareholders
Management Board	The Company's management board

Term	Meaning
Market Abuse Regulation	Regulation (EU) No. 596/2014 of April 16, 2014
MBB	MBB SE
Member States	Member states of the EU
Midstream	Refers to the midstream ("middle") sector of the energy value chain. The midstream energy sector comprises the infrastructure across the entire value chain through which energy sources and energies such as raw natural gas, wind energy and solar energy are converted into usable natural gas, electricity and clean hydrogen and are then transported to the end customers
MiFID II	EU Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended
MiFID II Product Governance Requirements	Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
Minimum Holding Period	A continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date, during which a shareholder has been the economic owner of the shares (<i>Mindesthaltedauer</i>), in order (among other requirements) for the shareholder to be eligible for withholding tax reliefs
National Hydrogen Strategy	National hydrogen strategy (<i>Nationale Wasserstoffstrategie</i>)
NDCs	Nationally Determined Contributions
NDP	Current ten-year network development plan
Net Debt (-) / Net Cash (+)	Calculated by subtracting the Company's total short-term and long-term liabilities to banks and leasing liabilities from its total cash and cash equivalents as shown in the consolidated statement of financial position. A negative amount indicates a net debt position, while a positive amount indicates a net cash position.
New Shares	2,000,000 ordinary bearer shares with no par value (<i>Stückaktien</i>) to be newly issued from a capital increase against contribution in cash expected to be resolved by an extraordinary shareholders' meeting of the Company on or about March 18, 2021 and expected to be consummated on or about March 23, 2021.
NIS Directive	Directive (EU) 2016/1148 on cyber security of network and information systems
NOAA	National Oceanic and Atmospheric Administration
NREL	National Renewable Energy Laboratory
Offer Period	The period during which investors can submit purchase orders for the Offer Shares which is expected to commence on March 15, 2021 and is expected to end on March 23, 2021
Offer Price	The final offer price of the Offer Shares
Offer Shares	The New Shares, the Secondary Shares and the Over-Allotment Shares

Term	Meaning
Offering	The offer of a total of 9,200,000 shares of the Company, consisting of (i) the New Shares, (ii) the Secondary Shares, and (iii) the Over-Allotment Shares
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended
Our	The Vorwerk Group
Over-Allotment	Under the possible stabilization measures, the allotment of up to 1,200,000 additional existing ordinary bearer shares with no par value (<i>Stückaktien</i>) from the holdings of the Selling Shareholders to investors
Over-Allotment Shares	1,200,000 existing ordinary bearer shares with no par value (<i>Stückaktien</i>) from the holdings of the Selling Shareholders to cover potential over-allotments
P&ID	Piping and instrumentation diagram
Parent-Subsidiary Directive	Council Directive 2011/96/EU of November 30, 2011, as amended
Paris Agreement	Paris Agreement Under the United Nations Framework Convention on Climate Change
Partial bond	One or more options attached to each option bond issued that entitle the holder to subscribe to ordinary bearer shares with no par value (<i>Stückaktien</i>) under the bond conditions that are determined by the Management Board
Participating Member States	Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia which are to implement the Draft Directive
PEM	Proton Exchange Membrane
Placement Agent	Jefferies International
Portfolio Participation	The shareholder only holds a direct participation of less than 10% in the Company's registered share capital at the beginning of the calendar year (<i>Streubesitzbeteiligung</i>)
Post-IPO Equity attributable to Shareholders per Share	A per share figure, assuming 20,000,000 outstanding shares of the Company upon completion of the Offering
Price Range	The price range within which purchase orders for the Offer Shares may be placed, being from EUR 41.00 to EUR 56.00 per Offer Share
Prospectus	This prospectus
Prospectus Regulation	Regulation (EU) 2017/1129
QIBs	Qualified institutional buyers

Term	Meaning
Qualified Holding	The shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1.0% of the share capital of the Company
R&D	Research and development
Regulation S	Regulation S under the Securities Act
Relevant Persons	Qualified investors who: (i) who have professional experience in matters relating to investments falling within EUR 19(5) of the "Order"; and/or (ii) who are high net worth entities falling within EUR 49(2)(a) through (d) of the Order; and other persons to whom it may otherwise lawfully be communicated
Relevant State	Each Member State of the European Economic Area and the United Kingdom
RSM	RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Rule 144A	Rule 144A under the Securities Act
SASB	Sustainability Accounting Standards Board
SAT	Site Acceptance Tests
SCADA	(Remote) Supervisory Control and Data Acquisition Systems
SCCP	Safety Certificate Contractors
SE Regulation	Council Regulation (EC) 2157/2001 of October 8, 2001 on the Statute for a European company (SE)
Secondary Shares	6,000,000 existing ordinary bearer shares with no par value (<i>Stückaktien</i>) from the holdings of the Selling Shareholders
Sector Coupling	Concept of interconnecting the power sector with energy-intensive sectors
Securities Act	The U.S. Securities Act of 1933, as amended
Selling Shareholders	MBB SE and ALX Beteiligungsgesellschaft mbH
Share	A share of the Company outstanding from time to time
Shares	All shares of the Company outstanding from time to time
SIL	Safety Integrity Level
SOEC	Solid Oxide Electrolyzers
Stabilization Manager	Berenberg, or persons acting on its behalf, acting as stabilization manager in connection with the placement of the Offer Shares

Term	Meaning
Stabilization Period	The period from the date of the commencement of the trading of the shares of the Company on the regulated market (<i>regulierter Markt</i>) of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) – expected to be on or about March 25, 2021 – to no later than 30 calendar days after such date, during which the Stabilization Manager may take stabilization measures
Supervisory Board	The Company's supervisory board
Target Market Assessment	A product approval process, which has determined that the Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II
TED	The official EU tenders website
TEG	Technical expert group on sustainable finance
TRIR	Refers to the total recordable incident rate. TRIR is a standardized health and safety measurement coefficient, defined by the SASB and calculated as the total recordable health and safety incidents multiplied by 200,000 and then divided by the total annual working hours of our workforce.
TSO/s	Transmission System Operator/s
TÜV	Technical Inspection Agency (<i>Technischer Überwachungsverein</i>)
TYNDP	Ten Year Network Development Plan
U.S.	United States of America
UN	United Nations
Underwriting Agreement	The underwriting agreement in relation to the coordination, structuring and implementation of the Offering entered into among the Company, the Selling Shareholders and the Joint Bookrunners and the Placement Agent on March 15, 2021.
UNECE	United Nations Economic Commission for Europe
United States	United States of America
Us	The Vorwerk Group
Vorwerk Group	The Company together with its consolidated subsidiaries
Vorwerk KG	Friedrich Vorwerk SE & Co. KG
Voting Agreement	The agreement of MBB SE and ALX Beteiligungsgesellschaft mbH to uniformly exercise their shareholdings entered into on February 6, 2021
We	The Vorwerk Group
WMO	World Meteorological Organization

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