Annual Report 2022

MBB SE, Berlin

MBB in figures

Financial year	2022	2021	Δ 2022 / 2021
Earnings figures (adjusted*)	**€k**	**€k**	**%**
Revenue	**896,453**	**680,329**	31.8
Operating performance	900,775	681,723	32.1
Total performance	939,471	706,412	33.0
Cost of materials	-550,874	-369,348	49.1
Staff costs	-233,927	-206,328	13.4
EBITDA	93,166	79,574	17.1
EBITDA margin	*10.3%*	*11.7%*	
EBIT	53,335	46,868	13.8
EBIT margin	*5.9%*	*6.9%*	
EBT	49,024	40,659	20.6
EBT margin	*5.4%*	*6.0%*	
Consolidated net profit after non-controlling interests	**16,766**	**11,691**	43.4
eps in €	2.88	1.98	45.5
Average number of shares in circulation	5,814	5,912	-1.7
Earnings figures (IFRS)	**€k**	**€k**	**%**
EBITDA	87,978	55,897	57.4
Consolidated net profit after non-controlling interests	11,764	-11,570	201.7
eps in €	2.02	-1.96	203.1
Figures from the statement of financial position (IFRS)	**31-Dec €k**	**31-Dec €k**	**%**
Non-current assets	359,831	483,383	-25.6
Current assets	761,697	668,937	13.9
thereof liquid funds**	512,978	622,503	-17.6
Issued capital (share capital)	5,804	5,847	-0.7
Other equity	763,723	802,632	-4.8
Total equity	769,527	808,479	-4.8
Equity ratio	*68.6%*	*70.2%*	
Non-current liabilities	105,454	125,447	-15.9
Current liabilities	246,546	218,394	12.9
Total assets	1,121,527	1,152,320	-2.7
Net cash (+) or net debt (-)**	445,204	534,563	-16.7
Employees	**3,571**	**3,541**	0.8

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

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

Contents

Welcome Note from the Executive Management

Dear fellow shareholders,

the macroeconomic start to the 2020s was not exactly disruption-free. Lockdowns and supply bottlenecks were followed by a war in Europe, exploding energy prices and a u-turn in central bank policy with interest rates rising sharply.

By contrast, the operating performance of the MBB companies again proved to be extremely robust in the past fiscal year. We were able to successfully counter the macroeconomic challenges with our focus on long-term trends such as the energy transition, e-mobility and IT security. Moreover, the new interest rate environment will significantly strengthen MBB's relative position going forward.

The operating performance of the MBB companies

In fiscal year 2022, MBB Group revenue grew by 32% to €896 million, adjusted EBITDA increased by 17% to €93 million. Only the Group's net liquidity decreased by 17% against the background of a strong build-up of working capital as well as share buybacks, but at €445 million liquidity nevertheless reached the second-highest level in the MBB's history.

The **Service & Infrastructure** segment made a major contribution to the Group's growth with a 33% increase in revenue to €477 million. However, adjusted EBITDA for the segment decreased by 2% to €67 million. The reason for the decline was the performance of energy infrastructure provider Friedrich Vorwerk in the fourth quarter of the fiscal year. After orders for connecting the LNG terminals were extended on short noticeagainst the backdrop of an organization that was already working at full capacity, the ensuing capacity gaps had to be covered by subcontractors which put significant pressure on margins. On the other hand, revenue far exceeded expectations, as lower project volumes had been assumed in the original planning. Looking at the year as a whole, Friedrich Vorwerk was able to increase its revenue by 32% to €368 million, while adjusted EBITDA fell by 13% to €50 million. The development at IT security specialist DTS was quite different: Here, revenue increased by 36% to €109 million, while adjusted EBITDA even rose disproportionately by an enormous 53% to €17 million. The increasing willingness of companies to invest in their IT security made a significant contribution to the company's rapid revenue growth.

In the **Technological Applications** segment, revenue rose by 25% to €313 million. EBITDA more than tripled year-on-year to €16 million. The segment's strongest growth driver was Aumann, which grew its revenue with automation solutions by 34% to €215 million. At the same time, the company achieved a turnaround in profitability with an adjusted EBITDA of €9 million. Order intake reached a new all-time high of €295 million while net liquidity of more than €112 million also creates an excellent basis for further growth. Delignit also grew revenue with its system solutions based on renewable raw materials by 10% to €75 million. The company's adjusted EBITDA increased by 17% to €7 million. In the second half of the year, growth in revenue and EBITDA was significantly higher, but had to compensate for the somewhat weaker start to the year. OBO contributed around €22 million to segment revenue and €0.6 million to EBITDA until its sale at the end of November 2022. The sale of OBO will increase the segment's focus on sustainability. The two remaining companies make a significant contribution to the Group's sustainability strategy through their importance for e-mobility as well as the use of renewable raw materials.

The **Consumer Goods** segment increased its sales by 48% to €107 million. Unlike the other two segments, however, a large proportion of this increase is attributable to price effects. The increase in adjusted EBITDA, which amounted to 77%, is therefore all the more surprising. As the segment's depreciation and amortization merely increased by 11%, the segment's EBIT actually more than doubled. The tissue manufacturer Hanke increased its revenue by an incredible 66% to €70 million. The mattress manufacturer CT Formpolster accounted for revenue of €37 million, corresponding to growth of 23%.

The macroeconomic challenges

A year ago, we listed five macroeconomic challenges: Covid-19, supply chain bottlenecks, the war in Ukraine, energy supply and rising inflation. In fact, all of these five challenges were with us in fiscal year 2022.

For 2023, we expect Covid-19 to no longer represent a significant risk for our subsidiaries. The supply chain situation has also increasingly stabilized for the MBB companies in recent months. The war in Ukraine, which has been going on for over a year now, is a humanitarian catastrophe on European soil. In economic terms, however, the direct impact of the war on the MBB Group has remained limited to a certain degree. Nevertheless, the energy supply in Europe and especially in Germany will continue to be a macroeconomic risk. Within the MBB Group, the volatility of energy prices represents a challenge for Hanke in particular. However, concerns about security of supply have eased considerably since Germany proved that it can get through the winter without the supply of Russian gas.

From today's perspective, the most important macroeconomic influencing factors in 2023 will be persistently high inflation and rising interest rates. As MBB, we believe we can improve our relative market position in a high interest rate environment for three reasons: First, so-called leveraged buyouts (LBOs) from private equity firms will become less attractive compared to MBB's typical equity-financed acquisitions. This strengthens our position in the M&A market. Secondly, our equity-rich subsidiaries can continue to focus on operating success, while their competitors have to contend with rising financing costs. This strengthens the competitiveness of our subsidiaries. Thirdly, MBB SE's high liquidity position, which was until recently perceived as an anachronism, will once more become a valuable distinguishing feature. Our financial solidity is thus once again appreciated and serves us all the more as an important asset in volatile times.

The outlook

Even though rising interest rates represent a risk for the economy in absolute terms, the relative position of the MBB Group should improve in this environment. At the same time the sustainability trends around which the MBB companies are aligned continue to gain in importance. Demand in connection with the energy transition, e-mobility, IT security and renewable raw materials will increase significantly in the coming years. This tailwind should enable the MBB Group to continue its success story.

For 2023, most MBB companies expect significant revenue growth with a stable EBITDA margin overall. Friedrich Vorwerk is an exception to this. After the company felt its capacity limits in the second half of 2022, Friedrich Vorwerk is taking on lower revenue for 2023 and plans to prepare its organizational structure for the upcoming wave of growth in the wake of the energy transition. Additionally, the sale of OBO in November last year has also reduced the scope of consolidation. As a result, we expect Group revenue of €850-900 million in 2023, with an adjusted EBITDA margin of 9-11%. We moreover consider the environment for new acquisitions to be extremely interesting.

We would be pleased if you continued to accompany us on this path.

Berlin, March 29, 2023

The Executive Management of MBB

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer

Dr Christof Nesemeier
Executive Chairman

Report of the Board

In the year under review, the Board kept itself continuously informed about the business and strategic development of the Company and advised and monitored the Executive Management in accordance with the duties and responsibilities imposed on it by law and its Articles of Association as well as the provisions of the German Corporate Governance Code. The Board was thus informed about the strategy, business policy, planning, risk situation as well as the net assets, financial position and results of operations of the MBB Group at all times.

This took place both in personal discussions between members of the Board as well as with Executive Directors, through regular information from the Executive Management on the course of business, and in the course of the meetings of the Board held on March 31, June 10, September 15 and December 21, 2022, which were attended by all members of the Board in person or by video conference.

During the individual meetings, the Board together with the Executive Directors analyzed the current business development and discussed the strategic direction. The discussions covered both the economic situation of the Company and that of the individual subsidiaries. In addition to the operational development of the Group, investment issues and M&A topics were also discussed at the Board meetings. Where individual transactions required the approval of the Board in accordance with the Articles of Association or statutory provisions, the Board examined them and resolved whether to grant their approval.

A key focus of the discussions on business development in the fiscal year 2022 was on the effects of higher energy prices and material price increases. In addition, the Board repeatedly discussed the impact of Russia's war of aggression against Ukraine, which is contrary to international law, and possible safeguards. In the area of investments, the volatile capital market environment was discussed in particular and decisions were made on the investments for liquid funds. In the M&A area, advice was provided on several investment opportunities and due diligence outcomes. In addition, the sale of OBO-Werke GmbH was resolved following extensive discussion.

In addition to its full deliberations, the Board also met within various committees. The Audit Committee closely monitored the audit of MBB's consolidated financial statements for the fiscal year 2022. The Accounting Committee also monitored the accounting processes in the Group outside of the preparation of the annual financial statements and made decisions in cases of doubt. The Compensation Committee reviewed the remuneration and incentive practices within the MBB Group and decided on new long-term incentive programs at the subsidiaries. The Nomination Committee did not meet last year as there were no new appointments to the Executive Management.

In addition, the Board addressed the topic of diversity and equal participation of women and men in management positions in the past financial year. Currently, all members of the Board of MBB SE (four persons) and all members of the Executive Directors (four persons including the delegated member of the Board) are male. The Board and the Executive Directors aim to increase the representation of women in management positions. The Board of MBB SE therefore resolved on April 14, 2021 to achieve a 20% share of women in the Board and the Executive Management in the medium term. The proportion of women on the supervisory boards of the listed subsidiaries Friedrich Vorwerk, Aumann and Delignit has already been significantly increased within the last two years.

The corporate governance of MBB Group as well as the compliance with the recommendations of the German Corporate Governance Code is a high priority for the Board of MBB SE. The Board continuously monitored the further development of corporate governance standards. MBB SE complies with the recommendations of the German Corporate Governance Code with its special characteristics due to the one-tier system of MBB SE. The declaration of conformity is published on the Company's website at www.mbb.com, and included in this Annual Report.

The Board duly commissioned RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting as auditor, to audit the annual financial statements and the consolidated financial statements as well as the combined management report and Group management report for financial year 2022. The auditor has complied with the annual confirmation of independence to the Board and the auditor's case-related reporting obligation to the Board in accordance with the Stock Corporation Act. The declaration confirms that there are no professional, financial or other relationships between the auditor, its executive bodies and audit managers on the one hand and the Company and its executive body members on the other that could give rise to doubts about its independence.

The annual financial statements of MBB SE as at December 31, 2022 and the combined management report for MBB SE and the MBB Group were prepared in accordance with the principles of commercial law, while the consolidated financial statements as at December 31, 2022 were prepared in accordance with International Financial Reporting Standards (IFRSs). They were audited by RSM GmbH

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting as well as appointed by the Chairman of the Board, and issued with an unqualified audit opinion dated March 29, 2023.

The Board examined the annual financial statements prepared by the Executive Management, the joint management report for MBB SE and the MBB Group, the proposal for the appropriation of profits and the consolidated financial statements and discussed them with the auditor at the meeting on March 29, 2023. Prior to the meeting, the Chairman of the Audit Committee discussed the results of the audit with the auditor. All questions raised by the Board were answered in full by the auditor. The Board received the auditors' report prior to the financial statements meeting. Based on the final results of the audit carried out by the Board, there are no objections to the annual financial statements, the management report and the consolidated financial statements. The consolidated financial statements were approved by the Board on March 29, 2023. The annual financial statements of MBB SE have been adopted.

The Board shares the assessment of the situation by the Executive Management in the combined management report and Group management report and concurs with the proposal of the Executive Management on the appropriation of net retained profits.

The Board would like to thank the Executive Management, the management of the subsidiaries and all employees of the MBB Group for their enormous commitment in these very uncertain times and the good results achieved in the past financial year.

Berlin, March 29, 2023

The Board

Dr Christof Nesemeier
Chairman

Combined Management Report and Group Management Report

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

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

In addition to the MBB Group (hereinafter also referred to as "the Group" or "MBB"), the combined management report also includes the parent company, MBB SE, which is domiciled in Berlin, Germany. It was prepared in accordance with the provisions of the German Commercial Code (HGB) and German Accounting Standard (GAS) No. 20. The reporting on the position of the Group generally corresponds to the reporting of MBB SE. Supplementary disclosures on the annual financial statements of MBB SE are presented in the results of operations, financial position and net assets.

In a financial year characterized by inflation and material bottlenecks, both revenue and EBITDA of the MBB Group reached new highs in 2022. Notwithstanding increased working capital and brisk investment activity, MBB has a high equity ratio and net liquidity, which are becoming increasingly important in times of rising interest rates and macroeconomic challenges.

MBB Group revenue amounted to €896.5 million in 2022, compared with €680.3 million in the previous year. Adjusted EBITDA amounted to €93.2 million (€88.0 million prior to adjustments), whereas Group earnings after non-controlling interests amounted to €16.8 million or €2.88 per share (before adjustments €11.8 million or €2.02 per share).

In the financial year, EBITDA was adjusted for non-recurring effects amounting to €5.2 million. The adjustments include €3.4 million in losses from the deconsolidation of OBO and €2.2 million in personnel expenses from the stock option programs of MBB SE and Aumann. On the other hand, other income of €0.4 million was adjusted at Aumann, which resulted from the sale of depreciated property, plant and equipment.

In addition, depreciation and amortization of assets amounting to €3.6 million were adjusted, which were capitalized as part of purchase price allocations. Adjustments below EBIT of €-2.5 million relate to effects from the re-valuation of contingent consideration from put options, and of €-1.3 million relating to adjustments for non-controlling interests and taxes.

As of December 31, 2022, net cash (cash and cash equivalents, current and non-current securities and physical gold holdings less bank and lease liabilities) amounted to €445.2 million (December 31, 2021: €534.6 million). In 2022, a basic dividend of €0.99 per share, which has again increased, plus a special dividend of €0.99, thus €1.98 per share and €11.5 million in total was paid. As in previous years, investments in the growth of all subsidiaries continued unabated.

The MBB Group's equity decreased from €808.5 million as of December 31, 2021 to €769.5 million, total assets decreased by -2.7% to €1,121.5 million. The equity ratio declined from 70.2% to 68.6%. The decrease in equity is mainly due to the development of securities, the acquisition of an additional 4.69% stake in Aumann, and profit distributions, which were partly offset by the increase in earnings after taxes.

The Board and the Executive Directors propose to carry forward the unappropriated net income for 2022 but suggest to discuss a possible profit distribution again in good time before the Annual General Meeting. Notwithstanding this, the Board and Executive Directors resolved on February 9, 2023 to launch a share buyback program with a volume of up to €12 million.

For the financial year 2023, MBB expects revenue of €850 - 900 million with an adjusted EBITDA margin of 9 – 11%. MBB continues to believe that it is well positioned for the future, in particular thanks to its comfortable liquidity position.

Unless otherwise stated, all figures in this report refer to December 31, 2022 or the fiscal year from January 1 to December 31, 2022. Percentages and figures in this report may be subject to rounding differences.

For reasons of readability alone, we have refrained from using the masculine, feminine or other gender forms of expression simultaneously. All references to persons apply to all genders unless otherwise stated.

Business and economic conditions

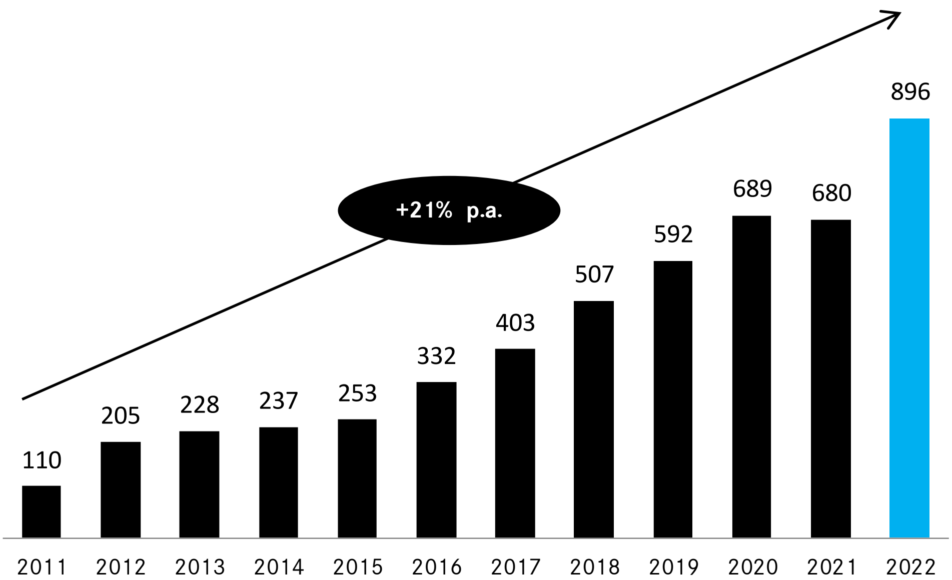
Strategic orientation

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

Growth

Since its foundation, MBB has achieved above-average revenue and earnings growth. Calculated from the IPO in 2006, revenue grew by an average of 21% per year. MBB intends to continue to grow organically as well as by acquiring companies in the future.

Development of group-revenue
€ million



Technological expertise

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

Mittelstand

Our companies are organized in independent units of between around 100 and 1,700 employees and belong to the category of small and medium-sized enterprises (SME) in Germany known as the Mittelstand. Tradition, regional identity and a commitment to training, employees and the common good are key pillars of our actions. More than 27 years of first-class references for SME acquisitions are our calling card when searching for new subsidiaries.

Capital markets

MBB SE is listed in the Prime Standard of the Frankfurt Stock Exchange, meaning it meets the highest standards in terms of transparency and compliance. Thanks to 17 years of outstanding share price and dividend performance, MBB has not only reached a large group of international shareholders, but its attractiveness as an employer and business partner has also increased as a result. This means that our stock exchange listing provides the ideal conditions for our extraordinary growth plans.

Family-owned company

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

Sustainability

Sustainability and responsibility play a central role in MBB's corporate strategy. This is expressed not only in the long-term oriented holding periods of our invested capital, but also in our ongoing efforts to ensure compliance with ecological and social standards and values in all corporate decision-making and investment processes.

Market development

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

Macroeconomic environment

After the broad easing of Corona restrictions and comprehensive political support programs at the beginning of 2022 promised strong growth in the global economy, the economic situation deteriorated abruptly with the unexpected Russian invasion of Ukraine. The acts of war and the associated political trade restrictions and sanctions led to significant logistics and supply chain disruptions worldwide and in some cases dramatic price increases on the international raw material and energy markets. At the same time, the stringently pursued zero-covid strategy in China resulted in significant restrictions in all sectors of the economy, causing further disruptions in global trade. In response to rising inflation, central banks also shifted to a more restrictive monetary policy, which put additional pressure on the economy. Despite these macroeconomic challenges, the International Monetary Fund expects global gross domestic product (GDP) to grow by 3.4% in 2022, with economic developments varying greatly from region to region and over the course of the year. In the previous year, global GDP grew by 6.2%. The annual global inflation rate is estimated at an average of 8.8%, significantly higher than the previous year's already high rate of 4.7%.

The European Union (EU) is particularly hard hit by the outbreak of war in Ukraine due to its geographical proximity and high dependence on energy imports from Russia. For the full year, the EU Commission expects GDP in the European Union (EU-27) to increase by 3.5%, which is significantly lower than the previous year's figure of 5.4%. The main driver of the continued growth was the first half of the year, in which households still increased their spending sharply, especially on services, following the lifting of COVID 19 restrictions. However, the second half of the year was much weaker due to increased uncertainty, the worsening energy crisis and noticeable losses in household purchasing power, resulting in stagnating GDP in the fourth quarter. The persistently high inflation rates, most notably in the energy sector, had a particularly significant impact here, causing companies and private households to hold back on investment and prompting the European Central Bank to raise key interest rates sharply. For 2022 as a whole, the EU Commission is reporting an average inflation rate of 8.5%, compared with 2.9% in the previous year, but at the same time assumes that inflation will have peaked for the time being. Meanwhile, the labor market is proving to be exceptionally robust, with continued high employment rates and a comparatively low unemployment rate of 6.1% at the end of the year.

In Germany, gross domestic product increased by 1.9% in 2022, following growth of 2.6% in the previous year. Here too, higher energy prices, the worsening shortage of skilled workers and persistent supply chain problems weighed heavily on the economy and led to a significant reduction in production output, particularly in industry-heavy sectors. At the same time, inflation rates climbed to new record levels in the course of the year, reaching an average of 7.9% for the year as a whole, the highest level since the 1980s. It was not until the final quarter of the year that there were signs of a gradual improvement in the economic situation. Although economic output fell by 0.2% compared with the previous quarter, the ifo Business Climate Index rose steadily from September onwards, reaching a value of 88.6 by December, compared with the low for the year of 84.3 in September. The reason for this growing confidence was, on the one hand, the German government's decisions on the gas and electricity price brake, which act as a kind of hedge for companies and private households against excessively high fluctuations in energy costs. Secondly, companies are still reporting strong demand for their products and services and have high order backlogs, which can be gradually processed as production constraints ease. Furthermore, the inflation rate at the end of the year also showed the first signs of a gradual stabilization. Although consumer prices remained at a very high level year-on-year with an inflation rate of 8.6% in December, prices were slightly lower than a month earlier, mainly due to a stabilization of energy prices. Overall, this raises hopes that the recession may ultimately be milder than previously expected.

Industry-related environment

The target markets relevant to MBB developed differently in the year 2023.

Automotive

In 2022, the automotive sector was again strongly influenced by the overall economic situation, which in turn was dominated by the geopolitical environment. In the first half of the year, almost all automotive manufacturers were hit hard by the outbreak of the Russia-Ukraine war and the associated supply chain and logistics disruptions. The curbing of production capacities and a noticeable reluctance to buy on the part of businesses and households resulted in a sharp drop in registration figures across the major markets. It was not until the second half of the year that these effects gradually weakened, allowing a significant increase in production and registrations. Despite these catch-up effects, the markets in the European Union and the USA showed a net decline for the full year compared with the previous year. In the USA, the number of vehicles sold fell by 7.9% to 14.1 million, while in the European Union the number of registrations fell by 4.6% to 9.3 million vehicles in the same period. By contrast, the Chinese market reported slightly positive growth. According to the China Association of Automobile Manufacturers (CAAM), 26.9 million passenger cars were sold in 2022, around 2.1% more than in the previous year. In all the main markets, electric vehicles were again able to gain significant market share over vehicles with conventional internal combustion engines on the back of comprehensive government subsidy programs.

The German market for passenger cars also proved robust in the challenging economic environment and grew slightly compared with 2021. At 2.65 million units, the number of newly registered vehicles was up 1.1% on the prior-year figure of 2.6 million. Following a downward trend in the first nine months, registrations increased significantly, particularly in the final quarter, resulting in a slight overall increase. The strong strong rally at the end of the year is partly due to higher production output by auto manufacturers as a result of a gradual stabilization of the supply chains. On the other hand, the reduction in subsidies for plug-in hybrids and electric vehicles from 2023 onwards is likely to have provided a significant impetus for purchases at the end of the year. This is also evidenced by the high registration figures for electric vehicles at the end of the year. In December, the number of newly registered all-electric vehicles exceeded 100,000 for the first time, roughly double the previous year's figure. Together with plug-in hybrids, the share of vehicles with alternative drive systems was well over 50%. Over the year as a whole, almost one in three newly registered vehicles in Germany was either a pure electric vehicle or a plug-in hybrid. This represents a year-on-year increase in registrations of over 22%.

The market for light commercial vehicles declined sharply overall in 2022. In the European Union, the number of registered vehicle units fell by 18.1% to 1.3 million vehicles over the full year. In the previous year, 1.6 million vehicles had been registered. Some of the major sales markets were able to catch up significantly towards the end of the year as international supply chains eased. For example, registration figures in Germany and Spain increased by 19.0% and 12.4% respectively in December. However, the strong rally at the end of the year was not sufficient to compensate for the sometimes drastic slumps in the first three quarters. In Germany, too, the market for light commercial vehicles declined sharply overall. While 266,000 registrations were recorded in the previous year, the figure for 2022 was 13% lower at 231,000 vehicles.

Assuming a continuation of the easing of supply chains and a stabilization of inflation rates, the signs for the automotive industry are pointing to growth again in 2023. The Center Automotive Research (CAR) expects around 74 million cars to be sold worldwide in 2023, the first year-on-year increase since the start of the covid pandemic. For 2024, the institute even expects an increase of around 4%. For the European market, the Association of European Automobile Manufacturers (ACEA) forecasts growth in passenger car registrations of 5%, from 9.3 million to 9.8 million vehicles. The automotive industry is also expected to return to growth in the USA and China. In all regions, there is also expected to be a significant increase in the market share of electric drives. Only in Germany, according to the CAR study, the market share could decline temporarily due to lower subsidies and high electricity prices.

The German Engineering Federation (VDMA), on the other hand, expects a marginal decline in production of around 2% for its companies in 2023, following slight growth of 1% in 2022. The continuing shortage of skilled workers is a major factor inhibiting growth. For example, 97% of the mechanical engineering companies surveyed by the VDMA in the fall reported bottlenecks in planned staffing.

Information Technology

According to the German Association for Information Technology, Telecommunications and New Media (bitkom), the German market for IT security solutions has experienced another year of growth. Based on a survey by Check Point Research (CPR), the number of cyberattacks on German companies increased by 27% in 2022 compared to the previous year. In particular, the extortion of high-revenue companies with encrypted or stolen data using ransomware has continued to grow strongly - also in the context of the Russia-Ukraine war. In November 2022, Friedrich Vorwerk was the first company in the MBB Group to be affected. The consequences remained comparatively manageable, also thanks to the immediate intervention of DTS. Bitkom estimates that the German economy suffers annual damage of around €203 billion from theft of IT equipment and data, spionage and sabotage. Against the backdrop of the overall change in the geopolitical security situation and the rapid rise in cyberattacks, corporate spending on hardware, software and services for IT security has risen sharply by an above-average 13% to €7.8 billion in 2022. At around €3.6 billion (+14%), IT security services accounted for the largest share of spending in 2022, followed by spending on security software (€3.2 billion, +12%). A further €1.0 billion was spent on IT security hardware (+14%). Expenditure on IT security is likely to continue to grow in the coming years. Bitkom currently expects spending to increase by around 10 percent in each of the coming years. By 2025, spending is expected to rise to over €10 billion.

Energy infrastructure

In 2022, the market for products and services in the field of energy infrastructure continued to be dominated by the ongoing energy transition. Both the EU and the individual member states have made a binding commitment to ambitious climate targets. In the European Union, 55 percent of greenhouse gases are to be cut by 2030 compared with 1990 levels, and Europe is to achieve complete climate neutrality by 2050. In Germany, greenhouse gas neutrality is to be achieved as early as 2045, five years earlier than previously planned and than at the pan-European level.

In order to achieve these goals, European countries, including Germany, are making massive investments in the development and restructuring of their energy infrastructure. Against this backdrop, the German Association of Energy and Water Industries (BDEW) estimates that the energy industry is one of Germany's sectors, with the highest investments of more than €320 billion to be invested by 2030. It forecasts that the sector will provide important economic stimulus, increasing value added in Germany by 0.6% per year. According to the network development plan, spending on the expansion of the electricity transmission network alone is expected to exceed a volume of €76 billion by 2035. The major north-south high-voltage direct-current transmission lines in particular account for a significant share of this. The German gas transmission network is also to be expanded in the period up to 2030 with investments of around €9 billion to ensure security of supply. The hydrogen industry is currently experiencing a rapid increase in investment volumes, not only at the German level but also at the European level in particular. In order to achieve the goals set out in the European Hydrogen Strategy, total investments of up to €430 billion are expected by 2030. The realization of the nearly 40,000 km long pan-European hydrogen backbone is expected to require up to €81 billion. In addition to this, the German government has pledged a further €9 billion in funding in its national hydrogen strategy.

The outbreak of the Russian war of aggression against Ukraine has further increased the urgency of these energy policy measures. As a result of the unexpected loss of Russia as a reliable and inexpensive energy supplier, Germany, like many other European countries, was confronted with the challenge of developing alternative energy sources and creating the necessary infrastructure at record speed. First and foremost is the development of a functioning import infrastructure for liquefied natural gas (LNG), which has been driven forward at high speed with the help of the LNG Acceleration Act in 2022 and for which the German government has pledged up to €3 billion in investment over the next ten years. In December, the first floating LNG terminal was commissioned in Wilhelmshaven, with two more in Lubmin and Brunsbüttel in January 2023. Another major project is currently being implemented in Stade. In the future, up to eleven liquefied natural gas terminals are to be built to ensure security of supply in Germany. In addition to the billions spent on the import terminals themselves, the construction will require considerable additional investment in large connecting pipelines that will allow the imported natural gas to be fed into the existing network onshore. At the same time, the loss of Russian energy supplies will also put massive pressure on the expansion of renewables and the rapid ramp-up of the hydrogen economy. This is likely to lead to a further acceleration of growth in the market for energy infrastructure solutions in the coming years.

Market position

The position of the MBB companies in their respective markets improved further in 2022. Friedrich Vorwerk was once again able to take a leading role in the market for energy infrastructure thanks to its strong revenue growth of 32%. Aumann also demonstrated its leadership claim in the market for e-mobility automation technologies with growth of 34%. DTS outperformed the IT security market with 36% growth.

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

Net cash of the MBB Group amounted to €445.2 million as of the balance sheet date, of which €336.3 million is attributable to the holding company MBB SE alone. With this liquidity position, MBB has a solid basis to lead the Group companies into the future. Together with the references mentioned above, the liquidity position also provides good conditions for inorganic growth. MBB's relative market position in the acquisition of companies could even improve due to an increasing number of companies without succession solutions and rising interest rates for debt financing.

The past fiscal year once again showed that MBB companies can benefit from macroeconomic trends time and again. For example, Friedrich Vorwerk was able to win several major orders for LNG connection pipelines in 2022 and thus benefit directly from the consequences of the European energy crisis. In addition to the trend towards e-mobility, Aumann is also benefiting from the greater localization of production processes.

Stock exchange listing

MBB SE has been listed on the stock exchange since 2006 and in the Prime Standard since 2008. The founders of MBB SE still hold the majority of the share capital of approximately 66% as at December 31, 2022, and thus ensure MBB's sustainable, medium-sized and entrepreneurial development.

MBB SE's share price was impacted by the downturn in the global economy in fiscal year 2022: the XETRA closing price on December 31, 2022 was €91.80, around 33% lower than the previous year's closing price of €137.80.

Research and development

Innovation, as well as continuous further development of our products, production technologies and solutions, are central components of the corporate philosophy of all our subsidiaries.

For example, Aumann works very closely with customers to further develop and improve production facilities and ultimately the products manufactured with them. Great importance is attached to the development of innovative production solutions, digitalization and automation. The new and further development of technologies in the e-mobility segment represents an important strategic focus. In the last two years, new automation solutions have been developed here, particularly in the area of battery production. Aumann has also been active in the promising hydrogen segment for years and has, for example, developed a concept that can multiply the production speed of typical fuel cell stacks.

Friedrich Vorwerk's research and development activities, similar to those of Aumann, are project-based and in most cases carried out together with a customer in order to optimize an existing solutions or to develop new products and solutions for customer specific needs. Friedrich Vorwerk's research and development efforts are aimed at delivering innovations with high market acceptance, rapid adoption potential and far-reaching upgrade potential for existing infrastructures. To consolidate its position as a leading supplier of energy infrastructure, Friedrich Vorwerk is working on a number of new technologies such as hydrogen-compatible flow metering and control systems, special vortex piping systems, innovative near-surface HDD drilling methods, adapted biogas upgrading systems and hydrogen-compatible safety and control valves.

At DTS, the focus of R&D activities lies on the development of proprietary software products in the area of IT security. This has enabled DTS to develop innovative products in the areas of Managed Detection & Response (MDR), Identity & Access Management (IAM) and Network Access Control (NAC) to market maturity. This is complemented by innovative services in the area of the Security Operations Center (SOC), which, in conjunction with the company's own software products, ensures maximum IT security.

Similar to Friedrich Vorwerk, DTS and Aumann, we also pursue the continuous further development of products and production technologies in our other subsidiaries with the aim of achieving the greatest customer benefit possible as well as the lowest impact on the environment.

If the requirements of IAS 38 are met, the development costs are capitalized and amortized over the expected useful life. Development costs of €3.5 million were capitalized in the MBB Group in the fiscal year. Of this amount, €3.3 million is attributable to Aumann, where the majority of technical developments generally take place as part of the processing of customer orders.

Subsidiaries

MBB SE had six direct subsidiaries at the end of the 2022 financial year. As these direct subsidiaries of MBB SE themselves have subsidiaries and sub-subsidiaries, the consolidated group as of December 31, 2022 consisted of MBB SE and a total of 40 subsidiaries. The following section lists these companies according to their ownership structure and the respective equity interest in them:

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Susidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**44.74**
Aumann Beelen GmbH, Beelen, Germany	44.74
Aumann Berlin GmbH, Beelen, Germany[1]	44.74
Aumann Winding and Automation Inc., Clayton, USA	44.74
Aumann Espelkamp GmbH, Espelkamp, Germany	44.74
Aumann Immobilien GmbH, Espelkamp, Germany	42.46
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	44.74
Aumann Technologies (China) Ltd. Changzhou, China	44.74
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**75.47**
Blomberger Holzindustrie GmbH, Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	**80.00**
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH in liqu., Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany	64.27
Friedrich Vorwerk Group SE, Tostedt, Germany	**36.00**
Friedrich Vorwerk Management SE, Tostedt, Germany	36.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	**32.42**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	32.42
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	32.42
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	32.42
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	32.42
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	32.42
European Pipeline Services GmbH, Tostedt, Germany	32.42
Gottfried Puhlmann GmbH, Marne, Germany	24.32
Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, Germany	31.27
Gottfried Puhlmann Hamburg GmbH, Tostedt, Germany[2]	32.42
Hempel Aluminiumbau GmbH, Storkow (Mark), Germany	32.42
KORUPP GmbH, Twist, Germany	32.42
Vorwerk - ASA GmbH, Herne, Germany	32.42
Vorwerk-EEE GmbH, Tostedt, Germany	32.42
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	32.42
Vorwerk Verwaltungs GmbH, Tostedt, Germany	32.42
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**94.08**

[1] Business operations of Aumann Berlin GmbH were discontinued at the end of 2020.
[2] Formerly: SKS Strassenbau GmbH

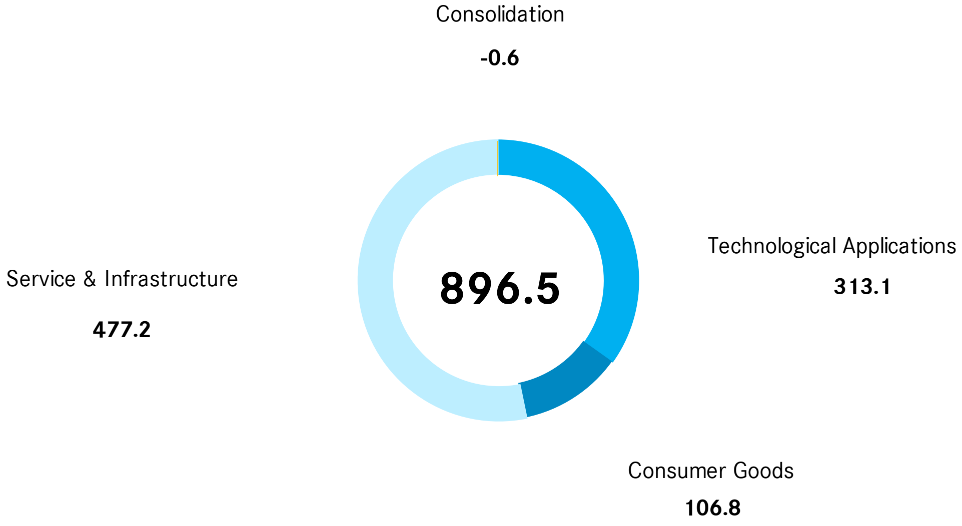
Segments

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

The structure of the business segments at the end of the reporting period is as follows:

- Service & Infrastructure: DTS IT AG and Friedrich Vorwerk Group SE
- Technological Applications: Aumann AG and Delignit AG
- Consumer Goods: CT Formpolster GmbH and Hanke Sp. z o.o.

Group-revenue by segment
€ million



Service & Infrastructure

The Service & Infrastructure segment comprises the companies of DTS, which specialises in IT security, and Friedrich Vorwerk, which operates in the field of energy infrastructure.

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

The DTS headquarter in Herford was founded in 1983 and houses the company's largest data center. With sales and service offices in Bensheim, Berlin, Bochum, Bremen, Hamburg, Hanover, Cologne, Munich and Nuremberg, the German sales network has been expanded nationwide since the majority takeover by MBB in 2008. DTS Systeme Münster GmbH (formerly: ICSmedia GmbH), Münster, was acquired in August 2010. DTS Systeme Münster GmbH has its own data center and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services. The European presence was expanded further in 2018 with the establishment of DTS CLOUD SECURITY MonEPE, Athens. Highly specialised experts based in Greece work with their German colleagues in international and interdisciplinary teams to protect the IT landscapes of their local customers against attacks, analyze network activities and immediately initiate countermeasures when attacks are discovered. The Athens site is also home to many of the Group's software developers.

DTS IT AG acquired 66% of the shares in ISL Internet Sicherheitslösungen GmbH in February 2019 and increase its shareholding to 80.34% in the first quarter of 2021. ISL is a leading German software developer in the area of IT security with a focus on network access control (NAC). Well-known companies from industry and retail as well as banks, public authorities and research institutions rely on ISL’s ARP-GUARD software to protect their IT infrastructure against undetected intrusion by unauthorized devices and internal attacks. With the support of DTS and MBB, ISL is seeking to accelerate its growth of recent years and thereby benefit from the rapid expansion of the IT security market in the long term. Within the market for IT security, network access control is becoming increasingly important with a forecasted annual market growth rate of more than 30%. A key growth driver is the Internet of Things (IoT), which is significantly increasing the number of devices in business networks. ISL software products assist in ensuring the efficient securing of business networks, which are becoming ever more complex on account of a wide range of different equipment.

Following strong growth in recent years, DTS was again able to significantly increase its revenue in 2022. Revenue in the reporting year amounted to €109.1 million, compared to €80.2 million in the previous year. The company thus contributes 12.2% (previous year: 11.7%) to MBB Group's revenue. The main reason for the high growth of 36% is the increased demand for IT security solutions. Against the backdrop of the changed geopolitical security situation in Europe and a sharp increase in the number of cyber attacks, numerous companies are investing in strengthening their IT security, thus driving a significant increase in orders at DTS. This applies in particular to the business with specialized software solutions that DTS offers its customers for monitoring and securing their systems. The double-digit profitability level improved further compared to the previous year.

Friedrich Vorwerk, with about 1,700 employees, is a leading provider in the field of complex solutions for energy infrastructure and thus a major beneficiary of the European energy transition. For 60 years now, Friedrich Vorwerk's name stands for high technical competence, industry-leading innovation and disciplined project implementation in the design, realization and operational management of energy infrastructure in its three core markets natural gas, electricity and hydrogen. Thanks to an integrated turnkey approach and a number of own components and systems, Friedrich Vorwerk is able to offer its customers sustainable and bespoke solutions from a single source. Hence, numerous utility companies, grid operators, industrial companies and municipalities have been counting on Friedrich Vorwerk expertise for decades.

As a leading turnkey service provider in the areas of planning & design, energy grids, energy transformation and service & operations, Friedrich Vorwerk covers all key elements in the value chain. Hence, Friedrich Vorwerk is not just supporting its customers to construct and operate reliable and cost efficient energy infrastructure, but is also making a significant contribution to the security of the energy supply in Europe.

The 2022 financial year was again characterized by numerous big projects which were realised in parallel. In addition to the contract for a district heating pipeline in Hamburg, two major contracts were won for the construction of connecting pipelines of the LNG terminals in Wilhelmshaven and Brunsbüttel. The laying of the Wilhelmshaven connecting pipeline was completed in the fourth quarter, enabling the first floating LNG terminal in Germany which was commissioned on schedule on December 21, 2022. In addition, the company was appointed for cable laying and logistics services for the planned SuedLink extra-high voltage transmission line. Another positive development is the commissioning of the second and now exclusive project phase for the realization of the new A-North direct current link by the transmission system operator Amprion. In the event of a successful agreement and a subsequent commissioning of the next project phase by Amprion, the total order volume for the eight parties is expected to be in the range of €850 to 1,100 million, in which Friedrich Vorwerk would have a share of at least 30%.

In total, Friedrich Vorwerk achieved revenue of €368.2 million, which corresponds to 41.1% of group revenue (previous year: 41.0%) and to an increase of 31.9% compared to the same period last year (previous year: €279.1 million). The significant increase is mainly due to the high revenue contributions from large projects. The Wilhelmshaven connection alone, which was awarded and implemented in a fast-track procedure, contributed more than €40 million to revenue in 2022, followed by other major projects such as the compressor station in Legden and the district heating pipelines in Hamburg and Bremen. In addition, the Gottfried Puhlmann Group, acquired at the end of 2021, also made a significant contribution to revenue growth. Adjusted EBITDA was down year-on-year at €50.1 million and was impacted in particular by the increased reliance on subcontractor services in the fourth quarter, significant cost increases in materials procurement, and the ongoing restructuring of the Gottfried Puhlmann Group. Order intake in the reporting period amounted to €370.5 million, an increase of 29.8% compared with the previous year (€285.3 million). The significant increase in order intake was mainly due to the aforementioned major orders placed with Friedrich Vorwerk.

Capital expenditure in the Service & Infrastructure segment amounted to €42.4 million in the reporting year (previous year: €30.8 million).

In a challenging macroeconomic environment, both DTS and Friedrich Vorwerk can thus look back on a record year with the highest revenue in the respective company's history. Both companies are benefiting from strong and sustainable growth drivers in their markets, such as the growing demand for IT security in a geopolitically uncertain environment or the need for a decisive and rapid energy transition in the midst of a global energy crisis. The increasing demand in both markets is met by a limited pool of qualified specialists, which can only be expanded very slowly. As a result, companies may at times be unable to take on projects or only be able to complete them with a time lag, despite considerable market potential. Against the backdrop of limited personnel resources and the ongoing preparations for the major projects in the electricity sector expected to begin in 2024, Friedrich Vorwerk expects a lower revenue level of over €300 million in fiscal year 2023. The EBITDA margin is expected to be at the level of the previous year, while the EBIT level is expected to be below the level of the previous year due to the investments made. Overall our growth prospects for the Service & Infrastructure segment remain very good.

Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of Aumann and Delignit. The majority of the shares in OBO-Werke GmbH were sold on November 24, 2022 and the company was therefore no longer included in the basis of consolidation of the MBB Group. OBO's revenue and earnings were included in the segment until the date of disposal.

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

In the field of e-mobility, Aumann is characterized by highly automated production lines for the full assembly and production of all key electric powertrain components from a single source: battery module, battery pack, battery tray, fuel cell, rotor and stator. In addition, in its Classic segment, Aumann offers automated lines for the production of conventional drive components as well as assembly solutions for electrical engineering, consumer electronics and specific solutions for other sectors.

In 2022, Aumann's revenue increased by 33.6% to €215.3 million (previous year: €161.1 million). This corresponds to a share of 24.0% (previous year: 23.7%) of MBB SE's consolidated revenue. At €295.3 million, order intake for the year as a whole were significantly higher than in the previous year (previous year: €236.6 million). Order intake in the e-mobility segment reached an all-time high of €230.5 million and accounted for almost 78.1% of total order intake. The main drivers of the excellent order situation were again projects in the high-growth area of battery assembly. With its center of excellence in Beelen, Aumann has established an excellent market position in this area, with well-known automotive manufacturers ordering pilot systems at an early stage of development in order to test new processes. The site in Limbach-Oberfrohna also achieved success last year with innovative technologies for assembling inverters and dismantling fuel cells.In Espelkamp the sustained demand for winding technologies ensured consistently high capacity utilization.

Against the backdrop of the strong order situation, Aumann's management expects consolidated revenue to grow to over €250 million in fiscal year 2023, with an EBITDA margin of 6 to 7%. The company is thus continuing on its growth path and the gradual recovery of its profitability. In addition, a liquidity position of €120.6 million and an equity ratio of 60.5% provide a solid basis for future growth.

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

Delignit's revenue amounted to €75.4 million in the reporting period (previous year: €68.3 million), which corresponds to 8.4% of MBB SE's consolidated revenue (previous year: 10.0%). The first half of the fiscal year was overshadowed by the consequences of the Russia-Ukraine war. As a result of acute supply chain and trade disruptions, there were extensive plant closures at important OEM customers, which also forced Delignit to interrupt productionat short notice. In the second half of the year, however, the company experienced a very dynamic demand situation in the course of a gradual easing of the supply chain situation and was thus able to compensate for large parts of the revenue shortfalls in the first half of the year. Despite the challenging market environment and in some cases significant price increases and material bottlenecks, the company was able to achieve an EBITDA margin of 8.9% in fiscal year 2022, thus exceeding the original forecast of a lower EBITDA level compared to the previous year (previous year: 8.0%). Delignit also has full order books for the 2023 financial year, especially in the core business of equipment for light commercial vehicles and caravans. Against this background, Delignit's managementexpects a continuation of its growth course and is aiming for a significant increase in the revenues to €88 million with EBITDA profitability at the previous year's level.

OBO generated revenue of €22.4 million (previous year: €20.3 million) until it was deconsolidated, which corresponds to 2.5% (previous year: 3.0%) of the MBB Group's revenue.

Investments in the Technological Applications segment amounted to €7.7 million (previous year: €6.0 million).

For the companies in the Technological Applications segment, we expect strong growth and a further year-on-year improvement in profitability in financial year 2023.

Consumer Goods

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

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

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

In 2022, Hanke contributed €69.7 million (previous year: €41.9 million), or around 7.8% (previous year: 6.2%) to consolidated revenue. While revenues in the previous year were still burdened by pandemic-related restrictions, the strong growth in 2022 is largely attributable to the successful passing on of higher energy and raw material costs to customers in the form of price increases. After Hanke only contributed a break-even result in fiscal year 2021 amid extraordinary energy price increases, the EBITDA margin increased significantly in 2022. For 2023, Hanke is planning a further increase in revenue. Nevertheless, the success of the business remains closely linked to the development on the international energy and raw material markets going forward.

CT Formpolster manufactures mattresses and other flexible polyurethane foam products. Since its acquisition by MBB in the year 2010, CT Formpolster has gradually developed into a one-stop-shop for online mattress dealers. As part of the digitalisation in the mattress industry, many providers are looking for innovative offers to meet changing customer demands. What sets CT Formpolster apart is its ability to fully design customer-specific products, produce them in series and deliver directly to end-consumers in compact boxes within a few hours or days.

CT Formpolster's revenue increased from €30.1 million in the previous year to €37.1 million in the reporting year. CT Formpolster thus accounted for 4.1% of MBB Group revenue (previous year: 4.4%). The strong increase in revenue of 23.3% is attributable to both volume and price increases as well as the expansion of business with new customers. EBITDA profitability, on the other hand, was slightly below the previous year's level due to higher material and personnel costs. Moderate growth and a stable EBITDA margin are expected for the 2023 financial year.

Investments in the Consumer Goods segment amounted to €1.4 million (previous year: €2.9 million).

The companies of the Consumer Goods segment were hit hard by price increases on the raw material and energy markets in fiscal year 2022. Their further development and the success in passing on cost increases to customers will continue to have a significant impact on revenue and profitability levels in the future. For the coming year we expect a moderate increase in revenue and a stable margin situation.

Employees

MBB SE had a total of 11 employees at the end of 2022; this figure includes the four members of the Executive Management. In addition to Executive Management, the company had employees for the areas of finance, M&A, operations, financial funds, IT and office management in 2022.

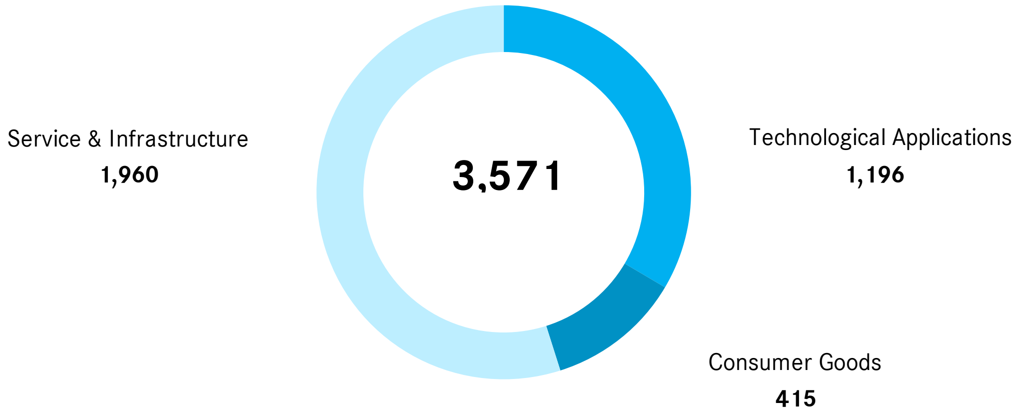
The aim of MBB SE’s management is to ensure the sustainable performance of the MBB Group. The founders Dr Christof Nesemeier and Gert-Maria Freimuth together hold more than two thirds of the outstanding share capital of MBB SE as of December 31, 2022. Appropriate fixed compensation is supplemented by performance-based short- and medium-term variable components and long-term incentive programs, which may also be share-based. There are no severance or pension agreements.

The MBB Group had an average of 3,622 employees (excluding trainees) in the 2022 financial year, compared to an average of 3,422 in the previous year.

As of December 31, 2022, the MBB Group had 3,571 employees (previous year: 3,541) in the following segments:

- Service & Infrastructure: 1,960 employees (previous year: 1,915)
- Technological Applications: 1,196 employees (previous year: 1,200)
- Consumer Goods: 415 employees (previous year: 426)

Headcount by segment



The increase in the number of employees in the Service & Infrastructure segment is attributable to the expansion of business at DTS and Friedrich Vorwerk. At Friedrich Vorwerk, the acquisition of Hempel Aluminiumbau GmbH also made a small contribution to the increase in personnel.

In the Technological Applications segment, the reduction in the number of employees due to the deconsolidation of OBO-Werke GmbH was largely offset by new hires at Aumann.

The number of employees by country as of December 31, 2022 (December 31, 2021) was as follows:

- 3,134 employees in Germany (previous year: 3,116)
- 315 employees in Poland (previous year: 309)
- 82 employees in China (previous year: 82)
- 40 employees in Greece (previous year: 34)

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

For 2023, the Group's headcount is expected to be above prior year level, though developments may differ at individual subsidiaries in line with capacity utilization.

MBB SE's subsidiaries place a high importance on training. In total, there are 261 people either in training or on a dual study program as of December 31, 2022 (previous year: 263). This will ensure a steady supply of junior talent even in times of a growing shortage of qualified employees. With regard to current employees, the MBB Group is constantly striving to improve the quality of its workforce through training and continuing professional development.

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

Overall, the development and recruitment of qualified personnel represents an ever-increasing challenge for management in the MBB Group. The growth of our companies coupled with challenging demographic developments is increasingly exacerbating this situation. The MBB Group is therefore investing with the highest priority in the expansion of superior human resources management as a cornerstone of securing the future.

Results of operations, financial position and net assets

MBB SE and the MBB Group have enjoyed a successful and profitable 2022 financial year.

Continuous value appreciation – for example, in terms of the growth in equity from €15.5 million in 2005 to €769.5 million in 2022 or the turnaround from net debt of €13.8 million in 2005 to net cash of €445.2 million at the end of 2022 - serves to highlight the sustainable success of our business model and the high quality of our investments. The high level of cash and cash equivalents in the MBB Group is supporting its business model and will allow future company acquisitions to be conducted independently and without the need for external financing. The MBB Group therefore can be counted on to deliver value-accretive acquisitions in the future.

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

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

The annual financial statements of MBB SE for the 2022 financial year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

Results of operations

MBB SE generated revenue of €1.8 million in the reporting year (previous year: €2.1 million). The revenue is mainly attributable to the provision of management services to the subsidiaries. In the previous year, additional fees for consulting services in connection with successful M&A transactions were charged, which is why revenue decreased in the reporting year.

In addition, MBB SE generated income from investments of €2.6 million (previous year: €18.9 million).

Other operating income amounted to €1.0 million (previous year: €217.3 million). This mainly includes income from currency translation of €0.8 million. In the previous year, other operating income mainly included the gross proceeds of €216.0 million from the IPO of Friedrich Vorwerk Group SE.

This was offset by personnel expenses of €3.5 million (previous year: €20.7 million) relating to the remuneration of the management and team of MBB SE. The previous year's personnel expenses included special bonuses of €17.1 million in connection with the IPO of Friedrich Vorwerk Group SE.

Other operating expenses amounted to €8.7 million (previous year: €19.3 million). They mainly comprise expenses from the disposal of securities in the amount of €5.5 million (previous year: €0.9 million), expenses from the disposal of investment assets in the amount of €0.8 million (previous year: €6.9 million), expenses from currency translations in the amount of €0.6 million (previous year: €0.1 million), legal and consultancy costs of €0.5 million (previous year: €0.8 million), rental and leasing expenses of €0.4 million (previous year: €0.3 million) and insurance expenses of €0.1 million (previous year: €0.4 million). The previous year's figure also included transaction costs of €9.0 million for the IPO of Friedrich Vorwerk Group SE.

Depreciation and amortization amounted to €8.3 million in the reporting year (previous year: €1.0 million). They mainly relate to write-downs of financial assets. This is offset by €3.4 million in unrealized exchange rate gains, which are not shown under HGB.

In the financial year 2022, income from securities amounting to €27.3 million (previous year: €11.1 million) and interest and similar income amounting to €1.3 million (previous year: €0.1 million) were realized. After taking into account interest expense of €0.6 million (previous year: €0.8 million) and tax income of €0.0 million (previous year: tax expense of €1.7 million), net income for the year amounted to €12.9 million (previous year: €206.1 million).

Net assets and financial position

Equity decreased from €392.5 million in the previous year to €389.5 million as of December 31, 2022.

The decrease is mainly due to the payment of the dividend to the shareholders of MBB and the acquisition of treasury shares. The net profit for the current financial year had an offsetting effect. The equity ratio at the reporting date was 99.4% (previous year: 98.5%).

Total assets decreased from €398.5 million to €391.8 million at the balance sheet date. On the asset side, the decrease is mainly due to the net change in cash and cash equivalents, financial assets and marketable securities. In Equity and Liabilities, the reduction in the balance sheet primarily results from the decrease in equity and other provisions for personnel.

MBB SE's cash and cash equivalents, including non-current and current securities and physical gold, amounted to €334.4 million at the end of the fiscal year (previous year: €355.3 million). Net cash and cash equivalents also decreased to €334.4 million (previous year: €355.3 million). The decrease is mainly due to the payment of the dividend to the shareholders of MBB, the acquisition of an additional 4.69% stake in Aumann and the purchase of treasury shares. Unrealized changes in the price of physical gold holdings and securities are not included in this presentation of earnings and cash and cash equivalents, which is why the amount differs from the net cash and cash equivalents of the holding company MBB SE of €336.3 million reported in accordance with IFRS.

A dividend of €0.99 per share plus a special dividend of the same amount, i.e. €1.98 per share (previous year: €1.76), or €11.5 million, was distributed in the fiscal year.

MBB Group

Results of operations

MBB Group generated revenue of €896.5 million in 2022 (previous year: €680.3 million). The growth of 31.8% was generated across all segments and is attributable in particular to the strong increase in demand in the areas of energy infrastructure (Friedrich Vorwerk), e-mobility (Aumann) and IT security (DTS).

Development of group revenue
€ million

Adjusted consolidated total operating performance also increased from €706.4 million in the previous year to €939.5 million in the current financial year. Adjusted other operating income of €22.6 million (previous year: €19.6 million) includes income from own work capitalized (€4.8 million), income from the reversal of provisions (€3.5 million), income from the sale of non-current assets (€2.7 million), income from securities (€2.6 million), income from the offsetting of non-cash benefits (€2.5 million), exchange rate gains (€1.3 million), income from rentals and leases (€1.2 million), income from reimbursements (€0.8 million), insurance and other compensation (€0.3 million), income from the reversal of valuation allowances (€0.2 million), income relating to other periods (€0.1 million) and miscellaneous other income (€2.6 million).

Income from investments accounted for using the equity method, which includes the pro rata results from joint ventures, amounted to €16.1 million in the financial year (previous year: €5.1 million).

The cost of materials amounted to €550.9 million in the 2022 (previous year: €369.3 million). The ratio of cost of materials to operating performance increased from 54.2% in the previous year to 61.2%.

Adjusted personnel expenses increased from €206.3 million in 2021 to €233.9 million in fiscal year 2022.

Adjusted other operating expenses amounted to €61.5 million in the reporting year (previous year: €51.2 million). These mainly include maintenance expenses, travel expenses, legal and consulting costs, rents and leases, advertising costs, insurance premiums and expenses for telecommunications.

The MBB Group thus generated adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of €93.2 million in the financial year 2022 (previous year: €79.6 million). The adjusted EBITDA margin was 10.3% (previous year: 11.7%). EBITDA before adjustments amounted to €88.0 million (previous year: €55.9 million).

In the financial year, adjustments included losses of €3.4 million in connection with the deconsolidation of OBO-Werke GmbH, personnel expenses of €2.2 million (previous year: €2.0 million) from stock option programs at MBB SE and Aumann AG, and other income of €0.4 million resulting from the sale of property, plant and equipment at Aumann, which were written off and adjusted in the previous year as part of the restructuring project. In the previous year, the main items adjusted were costs of €21.0 million in connection with the IPO of Friedrich Vorwerk Group SE, of which €19.9 million were personnel expenses and €1.1 million other costs.

Development of adjusted group EBITDA
€ million

Adjusted depreciation and amortization of €39.8 million (previous year: €32.7 million) mainly relate to scheduled depreciation of property, plant and equipment and amortization of intangible assets. The adjustment relates to depreciation and amortization of assets capitalized as part of purchase price allocations amounting to €3.6 million (previous year: €4.2 million).

This resulted in adjusted EBIT (earnings before interest and taxes) of €53.3 million (previous year: €46.9 million), corresponding to an adjusted EBIT margin of 5.9% (previous year: 6.9%). EBIT before adjustments amounted to €44.6 million (previous year: €19.0 million).

Development of adjusted group EBIT
€ million

The adjusted financial result amounted to €-4.3 million, compared with €-6.2 million in the previous year. The balance of interest income and interest expenses amounted to €-2.1 million (previous year: €-2.9 million). Adjustments relate to the effects of the re-valuation of contingent consideration from put options totaling €-2.5 million (previous year: €0.0 million). In addition, the financial result also includes the adjusted earnings attributable to non-controlling interests in Friedrich Vorwerk SE & Co. KG in the amount of €-2.2 million (previous year: €-3.4 million).

The resulting earnings before taxes (EBT) amount to €49.0 million (previous year: €40.7 million).

The adjusted tax expense reported for the financial year amounts to €19.2 million (previous year: €13.1 million) and is mainly attributable to current taxes and deferred taxes. The adjustment of the tax expense corresponds to the adjustments explained above.

Overall, adjusted Group earnings amounted to €29.8 million (previous year: €27.5 million).

Adjusted net income comprises income attributable to shareholders of the parent company of €16.8 million (previous year: €11.7 million) and income attributable to non-controlling interests of €13.0 million (previous year: €15.8 million). The average number of shares issued in the reporting period was 5,814,059 (previous year: 5,911,913). Adjusted earnings per share amounted to €2.88 (previous year: €1.98) and €2.02 (previous year: €-1.96) before adjustments.

The IFRS comprehensive income of the MBB Group of €-6.7 million (previous year: €45.0 million) comprises unadjusted earnings after taxes of €24.2 million (previous year: €1.0 million) and other comprehensive income of €-30.8 million (previous year: €43.9 million). Other comprehensive income includes losses from the valuation of shares at fair value of €-34.7 million (previous year: €-42.0 million) and the valuation of bonds and gold of €-2.3 million (previous year: €-0.3 million). Of this amount, losses from the valuation of shares of €-29.4 million (previous year: gain of €34.6 million) and the valuation of bonds and gold of €-2.3 million (previous year: €0.3 million) are attributable to MBB SE.

Calculation of adjusted earnings figures

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

	Notes	Jan 1 - Dec 31, 2022 €k	Jan 1 - Dec 31, 2021 €k
Revenue	III.1.	**896,453**	**680,329**
Increase (+)/decrease (-) in finished goods and work in progress		4,322	1,394
Operating performance		**900,775**	**681,723**
Income from joint ventures and associates	III.2.	16,057	5,122
Other operating income and Badwill	III.3.	23,077	24,466
Adjustments:			
Income from sale of previously impaired property, plant and equipment		-438	0
Release of provisions adjusted in the prior year		0	-4,696
Badwill		0	-203
Total performance		**939,471**	**706,412**
Cost of raw materials and supplies		-318,419	-228,620
Cost of purchased services		-232,455	-145,780
Cost of materials		**-550,874**	**-374,400**
Wages and salaries		-186,945	-187,665
Social security and pension costs		-49,195	-41,084
Staff costs		**-236,140**	**-228,749**
Other operating expenses	III.4.	-64,917	-52,265
Adjustments:			
Loss from deconsolidation of OBO-Werke GmbH		3,412	0
Costs relating to the IPO of Friedrich Vorwerk Group SE		0	20,969
One-time expenses for orders to secure capacity utilization		0	5,052
Non-operating costs		2,213	2,555
Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)		**93,166**	**79,574**
Depreciation and amortization expense	III.5.	-43,407	-36,894
Adjustments:			
Depreciation and amortization of assets acquired in a business combination		3,576	4,187
Adjusted earnings before interest and taxes (EBIT)		**53,335**	**46,868**
Finance income	III.6.	3,898	112
Finance costs	III.7.	-3,550	-2,963
Earnings attributable to non-controlling interests		-2,013	-3,177
Net finance costs		**-1,665**	**-6,028**
Adjustments:			
Interest on non-operating items		-2,491	26
Non-controlling interests on adjustments		-155	-206
Adjusted earnings before taxes (EBT)		**49,024**	**40,659**
Income tax expense	III.8.	-17,862	-10,704
Other taxes	III.8.	-889	-1,222
Adjustments:			
Deferred taxes on adjustments		-466	-1,208
Adjusted earnings after taxes		**29,806**	**27,525**
Non-controlling interests		12,391	12,619
Adjustments:			
Non-controlling interests on adjustments		-649	-3,214
Adjusted consolidated net profit after non-controlling interests		**16,766**	**11,691**
Adjusted earnings per share (in €)	III.9.	2.88	1.98

Achievement of targets by the Group

Key figures	Forecast 2022 published March 2022	Forecast 2022 updated November 2022	Attained 2022
Adjusted Revenue (€ million)	> 740	> 800	896.5
Adjusted EBITDA margin (%)	> 10	> 10	10.3

Net assets

Equity amounted to €769.5 million as of December 31, 2022 (December 31, 2021: €808.5 million). The decrease of -4.8% is mainly due to the valuation of securities, the acquisition of an additional 4.69% stake in Aumann, and profit distributions, which were partly offset by realized gains on securities and the increase in earnings after taxes. In relation to the consolidated total assets of €1,121.5 million, the equity ratio as of the balance sheet date was 68.6% (previous year: 70.2%). In the opinion of the Executive Management, the MBB Group has a good equity base.

Intangible assets amounted to €70.3 million as of the balance sheet date (previous year: €70.5 million). Additions of €8.9 million and consolidation-related additions of goodwill (€2.6 million) were offset by amortization (€10.8 million). MBB subjected goodwill to an annual impairment test. The impairment test confirmed the recoverability of all capitalized goodwill.

Property, plant and equipment increased from €183.7 million as of December 31, 2021 to €190.9 million as of December 31, 2022. Additions of rights of use and from investments of €49.4 million were partly offset by scheduled depreciation (€31.8 million) and disposals from the deconsolidation of OBO-Werke GmbH (€4.8 million) due to changes in the scope of consolidation.

Financial assets decreased from €211.5 million in the previous year to €84.3 million as of December 31, 2022. This mainly includes the stock portfolio (€66.0 million) and shares in joint ventures accounted for using the equity method (€17.1 million). The decrease is partly related to the increase in the carrying amount of securities under current assets, which rose from €0.3 million in the previous year to €79.8 million as of December 31, 2022. Against the backdrop of economic uncertainties, MBB SE and Aumann reduced their stock portfolio by €84.4 million and invested in short-term bonds in the amount of €82.6 million in fiscal year 2022. The further change in financial assets is mainly due to the valuation of the stock portfolio (-€51.1 million) and the increase in shares in joint ventures accounted for using the equity method (+€8.2 million).

Inventories amounted to €65.0 million as of the balance sheet date (December 31, 2021: €46.0 million). The change in inventories is mainly attributable to Aumann.

The increase in trade receivables and other current assets from €201.7 million to €249.4 million as of December 31, 2022 is mainly due to higher project-related receivables in individual major projects.

Cash in hand and bank balances decreased to €362.7 million in the reporting year (December 31, 2021: €416.8 million). Information on the decrease in cash and cash equivalents is presented below in the financial position.

The Group's liabilities to banks and lease liabilities amounted to €67.8 million as of December 31, 2022 (December 31, 2021: €87.9 million). The decrease is mainly attributable to repayments of €-33.4 million and disposals from the deconsolidation of OBO-Werke GmbH (€-5.0 million) due to changes in the scope of consolidation. This was offset by receipts of loan liabilities (€13.3 million) and the conclusion of new leases (€5.9 million).

Liabilities to non-controlling interests decreased from €6.3 million in the previous year to €4.8 million as of the balance sheet date.

Contract liabilities from advance payments received increased from €34.4 million as of December 31, 2021 to €48.8 million as of the balance sheet date. The increase is mainly due to the higher order intake at Aumann and the related advance payments received directly upon order intake.

Accruals increased from €23.6 million to €35.7 million. The increase is mainly due to higher accruals for outstanding invoices.

Pension provisions decreased to €18.6 million (previous year: €28.3 million), in particular due to the increase in the discount rate during the year.

Trade payables increased from €53.4 million as of December 31, 2021 to €66.6 million as of the balance sheet date.

Net cash and cash equivalents (cash at banks and in hand, current and non-current securities and physical gold holdings less liabilities to banks and lease liabilities) thus amounted to €445.2 million at the balance sheet date (previous year: €534.6 million). The decrease in net cash and cash equivalents is largely due to net investments in property, plant and equipment (€-36.3 million) and intangible assets (€-8.0 million), the acquisition of an additional 4.69% stake in Aumann (€-11.6 million), profit distributions to shareholders of MBB SE (-€11.5 million) and to non-controlling interests (€-7.1 million), and the acquisition of treasury shares (€-5.2 million). In the opinion of the Executive Management, the MBB Group therefore continues to have very good financial resources.

Financial position

The change in cash and cash equivalents amounted to €-54.0 million in the reporting year (previous year: €206.8 million) and breaks down as follows:

Cash flow from operating activities decreased from €59.1 million in the previous year to €35.4 million in the year under review. The net inflow is mainly composed of the operating business of the subsidiaries and the cash inflows resulting from these activities. It also includes changes in assets and liabilities not attributable to investing or financing activities. The decrease is mainly due to changes in working capital amounting to €-21.4 million (previous year: €6.2 million). Significant effects arose at Friedrich Vorwerk, whose significantly higher level of net working capital, in addition to the strong growth in revenue, is mainly due to higher contract assets that have not yet been invoiced due to contractual milestones in several major projects, as well as to higher inventories of materials to cushion potential delivery bottlenecks.

Cash flow from investing activities amounted to €-26.7 million (previous year: €-85.1 million). On the one hand, it results from net investments in property, plant and equipment (€-36.3 million) and intangible assets (€-8.0 million). On the other hand, there is a positive cash flow from financial assets and securities of €17.9 million. This includes the reduction of stock portfolio held by MBB SE and Aumann against the backdrop of economic uncertainty and the associated net cash inflows (€100.2 million), as well as investments in short-term bonds of €82.6 million.

Cash flow from financing activities amounted to €-62.6 million (previous year: €232.8 million). The main effects comprise the payment of dividends to shareholders of MBB SE and to non-controlling interests amounting to €-11.5 million and €-7.1 million, respectively, the acquisition of an additional 4.69% stake in Aumann (€-11.6 million), the acquisition of treasury shares (€-5.2 million), and repayments of loan and lease obligations of €-36.3 million. This was offset by receipts from raising financial loans (€13.3 million). In the previous year, the cash flow from financing activities was characterized in particular by the gross proceeds from the IPO and the capital increase at Friedrich Vorwerk Group SE of €306.0 million as well as payments of IPO transaction costs of €-33.7 million.

All Group companies were able to meet their payment obligations in full at all times during the reporting year.

Summary assessment

The Executive Management considers the development of the MBB Group in the 2022 financial year as positive. Group revenue and adjusted EBITDA reached record levels again in 2022. In addition, key investments were made at all subsidiaries.

Principles and objectives of financial management

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

Intragroup transactions are usually conducted in euro. As the subsidiaries hedge extraordinary foreign currency positions independently, unhedged positions of operating activities have not occurred to any significant extent at Group level to date. As such, the MBB Group does not use active exchange rate hedging at Group level. Currency forwards can be used in special circumstances. Similarly, the management of the credit risks of our contract partners is the responsibility of the individual subsidiaries. However, monitoring at Group level serves to ensure timely intervention as necessary.

Our business activities and the cash inflows they generate provide our main source of financing. However, long-term investments tend to be financed with long-term loans.

Controlling system

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

Typically, the forecast for the following financial year is published with the annual report at the latest. This is based on detailed bottom-up planning by the individual Group companies. The published forecast is reviewed regularly and updated by Executive Management if necessary. The earnings figures include IFRS remeasurement effects, such as negative goodwill from business combinations and write-downs on hidden reserves identified in conjunction with business combinations. These effects are triggered by unforeseeable (dis)investments and are therefore not predictable. MBB is therefore forecasting an operating result adjusted for these and other non-operating income and expenses that more transparently and more sustainably reflects the company's operating earnings power and development. The earnings projections for the 2023 financial year included in the forecast are also based on the adjusted earnings figures.

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

Report on risks and opportunities

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

Opportunities

In the opinion of the Executive Management, the MBB Group will have opportunities in the future in the following areas in particular:

Mergers & Acquisitions:

- MBB has a high level of cash funds that it primarily intends to invest in further growth through acquisitions.
- The sustained high number of SMEs available for sale leads to opportunities for acquisitions that will add value to the Group.
- Investing in and increasing the value of small and medium-sized companies allows high returns above average if successful.
- MBB's relative market position in the acquisition of companies could improve due to a reduced number of potential buyers, lack of debt financing as well as liquidity shortages of potential target companies in the wake of the developments surrounding the more restrictive interest rate environment.
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, lender or business partner and will boost MBB SE's importance as a holding company for SMEs in Germany.
- The experience and network of the current management offers a strong starting position for the continued growth of the MBB Group.

Investments:

- The strong investment activity of Group companies offers opportunities for further profitable growth.
- The consistent investment focus on sustainable and structural growth areas and markets offers above-average growth potential.
- As the substance and growth of the Group companies increases, so does the attractiveness of their shares for major global investment companies and thus the opportunity for more attractive valuations.

Diversification in structural growth markets:

- The diversification of the MBB Group has been expanded substantially in recent years, greatly cushioning the potential impact of changes in demand on individual markets on the Group as a whole.

- Friedrich Vorwerk is a major beneficiary of the energy transition and, thanks to its outstanding technological expertise, excellent reputation and customer relationships, as well as its fully integrated business model, is ideally positioned to benefit sustainably from the significant investments in its core markets of underground natural gas, hydrogen and electricity pipeline construction as well as complex plant construction projects (e.g. GDRM plants, compressor stations, cavern storage facilities and transformer stations).
- Aumann is a beneficiary of the mobility transition and is reporting order intake well above its revenue level in the fiscal year, particularly in the strategically important e-mobility segment, and thus has opportunities to continue to grow significantly. In addition, the switch to electric drives, which is also being mandated by law, will result in significant investment requirements on the part of OEMs, which Aumann will support in this transformation with its high-tech solutions.
- As a specialist for IT security solutions, DTS is benefiting from significant demand for specialized products and services that increase security in corporate networks. Since 2018, this has included the so-called Security Operations Center (SOC), in which security specialists from DTS monitor customers' systems around the clock for anomalies and attacks. At the latest with the start of the war in Ukraine, the relevance of and need for IT security solutions has increased once again.

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

Risks

According to the assessment of the Executive Management, the MBB Group is exposed to the following risks in particular:

Exogenous risks

From MBB's perspective, the following significant exogenous risks currently exist in particular:

- An economic and financial crisis could reach an unprecedented scale and could endanger the existence of individual subsidiaries. The economic and financial crisis could severely impact economic performance with all imaginable negative consequences and the possible simultaneous occurrence of several of the individual risks described below.
- Sustained high or renewed inflation and, especially, an entrenched wage-price spiral could lead to a time lag in passing on price increases and adversely affect profitability levels.
- Supply chain bottlenecks, particularly in the semiconductor sector, and associated price increases could mean that production targets cannot be met.

In addition, MBB believes that the following additional risks exist, among others:

- War or armed conflicts could significantly disrupt the economic cycle, and endanger the existence of individual subsidiaries.
- A sustained economic downturn could lead to falling revenue or earnings at MBB SE’s existing subsidiaries.
- Individual subsidiaries could be affected by market downturns in specific industries.
- An intensification of the competitive situation in the core markets of our subsidiaries could lead to a deterioration in the earnings and profitability situation.
- Short-term changes in political conditions could render subsidiaries’ individual business models unviable.
- The COVID-19 pandemic could worsen or new health risks of a different nature could emerge and severely impact the economic environment.
- A renewed increase in energy prices, problems with energy availability or even non-functioning energy markets could have a negative impact on profitability or lead to temporary production stoppages.

Financial risks

From MBB's perspective, the following significant financial risks currently exist in particular:

- Due to an abrupt turnaround in interest rates, the Group's floating-rate financial debt is subject to interest rate risk.
- The current inflationary environment, restricted supply chains, deglobalization trends and the completion of major projects may result in higher working capital being tied-up.
- Outstanding receivables could be paid late or not at all.

In addition, MBB believes that the following additional risks exist, among others:

- The funds invested in securities are subject to high fluctuations and can lose value for prolonged periods.

- As an international Group, MBB is subject to exchange rate fluctuations on the currency markets.
- Cash and cash equivalents could be insufficient to meet financial obligations of a certain amount and at a certain time.
- The refinancing of new business acquisitions might not be possible.
- Bank insolvencies could result in legally unsecured deposits having to be reduced or written off.

Liability risks

From MBB's perspective, the following significant liability risks currently exist in particular:

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

Other risks

From MBB's perspective, the following significant other risks currently exist in particular:

- Cyber-security attacks have increased especially since the Ukraine war and can lead to temporary restrictions of IT systems as well as financial risks.
- Environmental risks comprise the risks associated with greenhouse gas emissions, waste and the consumption of resources caused by the Group.
- The Group’s continued growth is dependent on attracting high performing, qualified employees, particularly at the level of its subsidiaries.
- The handling of major long-term and complex projects at individual subsidiaries is subject to specific project risks.
- The high purchase price expectations of potential sellers could limit the number of attractive investment opportunities, and hence the Group’s growth.

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

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

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

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

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

Declaration on corporate governance

The Board reports on corporate governance in accordance with item 3.10 of the German Corporate Governance Code and section 315d HGB in conjunction with section 289f HGB. The disclosures made in the corporate governance statement are not subject to the audit.

Declaration in accordance with section 161 AktG

The Board issued the most recent declaration of compliance in accordance with section 161 AktG on March 29, 2023. It reads as follows:

The Executive Management and Board of MBB SE submitted the last declaration of conformity in accordance with section 161 AktG on March 31, 2022 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration with the special features presented below due to the one-tier system used by MBB SE. The Board declares on March 29, 2023 that it has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code (hereinafter "Code") as amended on April 28, 2022 with the following exceptions:

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

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

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

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

Composition of the Board

The Board should represent the two founding and majority shareholder families with one seat each, secure the expertise of very important management members on a permanent basis after their departure, have at least one independent member with high qualifications for MBB's business activities and sufficiently represent the Company's diversity. The current composition of the Board meets this target. The tenure of each member of the Board is shown in section VIII.1 Executive Bodies. When making new appointments, the target quota of 20% women and sustainability criteria should be observed.

The following skills matrix provides in table form an overview of the skills profile of the Board:

Professional competence	Dr Christof Nesemeier Executive Chairman	Gert-Maria Freimuth Deputy chairman	Anton Breitkopf Member	Dr Peter Niggemann Member
Corporate Management and Control	x	x	x	x
Mergers & Acquisitions / Corporate Finance	x	x	x	x
Accounting and auditing	x	x	x	-
Human Resources & Social Affairs	-	x	x	x
Digitalization and IT	x	-	x	x
Sustainability	x	x	-	x
Legal / Compliance / Corporate Governance	x	x	x	x

An Audit Committee was formed in the 2020 financial year and a Nomination Committee in the 2021 financial year. The Chairman of the Audit Committee is Anton Breitkopf. As former CFO of MBB SE, Mr. Breitkopf has extensive experience in all matters relating to accounting, auditing and internal control procedures. His focus in the Audit Committee is on the audit of the financial statements. Mr. Breitkopf is responsible for the final approval of all payments made by MBB SE. Another member of the Audit Committee is Dr Christof Nesemeier, who focuses on the audit of the financial statements, monitoring of the accounting process, the effectiveness of the internal control system and the internal audit system. These implemented systems are considered appropriate and effective. In addition, as one of the founders and long-standing CEO of MBB SE, he also has extensive experience in auditing and financial statements. As the driving force behind the orientation of the MBB portfolio towards the sustainable growth areas of e-mobility, energy transition and IT security, Dr Christof Nesemeier is also the designated sustainability expert on the Board. The audit of the financial statements, compliance-relevant topics and sustainability-related issues are discussed with all members of the Board. The Chairman of the Nomination Committee is Gert-Maria Freimuth. He is responsible for nominating suitable candidates to the Board for its proposals to the Annual General Meeting for the election of members of the Board, as well as for achieving the desired diversity targets on the Board.

Succession planning

The age limit for members of the Board and the Executive Management is 85. The average age of the Executive Board is 40, which is comparatively low. In addition, MBB is a highly attractive employer for qualified and highly motivated junior staff. The Board believes that the Executive Committee has been well staffed at any time.

Self-affirmation

The Board sees its work confirmed by the success of the company since it was founded more than 28 years ago.

Corporate governance report

Directors' shareholding

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

Avoiding conflicts of interest

In the year under review, there were no conflicts of interest among the members of Executive Management or the Board. It should be noted that the Board has agreed consulting contracts with Gert-Maria Freimuth and Anton Breitkopf. The agreed activities go beyond the extent of their responsibility as members of the executive bodies. For further information please refer to note "3. Remuneration of the executive bodies" in section "VIII. Other mandatory information".

Share buyback programme

On February 21, 2022, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from February 23, 2022 to April 30, 2022, MBB SE acquired 42,640 treasury shares of the company at an average price of €121.65 (excluding incidental acquisition costs) on the stock exchange.

Accounting and auditing

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

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

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

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

Long-term bonus programme/security-based incentive systems

Details of the long-term bonus programme can be found under note “3. Remuneration of the executive bodies” in section “VIII. Other mandatory information”.

Remuneration report

The remuneration report was prepared separately this year in accordance with Section162 of the German Stock Corporation Act (AktG) and can be viewed on our website at https://www.mbb.com/en/ir/corporate-governance.html.

Information on corporate governance practices

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

Procedures of Executive Management and the Board

The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). Executive Management manages the company’s business by implementing the basic principles and standards set out by the Board. The Board concluded the Executive Management contracts for the period from 1 July 2021 to 30 June 2025. The MBB Group does not have a right of co-determination, meaning that all the members of the Board are shareholder representatives.

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

Diversity concept

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

On April 14, 2021, the MBB SE Board of Directors resolved to achieve a 20% share of women for members of the Board of Directors and the Executive Management in the medium term. The extended management level of MBB SE comprises the positions at the "Vice President" level. As of the balance sheet date, there was one Vice President position held by a woman.

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

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

Composition of issued capital

The share capital reported in the statement of financial position as of December 31, 2022 of €5,940,751.00 consists of 5,940,751 no-par value bearer shares and is fully paid in. Each share grants the bearer one vote at the Annual General Meeting. The company does hold 136,554 own non-voting shares not entitled to dividends as of the balance sheet date.

Restrictions on voting rights or the transfer of shares

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

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

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

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

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

There are no corresponding employee participation schemes.

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

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

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

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

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

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

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

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

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

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

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

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

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

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until June 30, 2025. For further details, please find the separately published renumeration report within the meaning of Section 162 of the German Stock Corporation Act (AktG).

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

On February 21, 2022, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from February 23, 2022 to April 30, 2022, MBB SE acquired 42,640 treasury shares of the company via the stock exchange with a total value of €5,207,479.45.

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

There are no such agreements.

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

There are no such compensation agreements.

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

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

MBB sees sustainability as a central business task. Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of Executive Management. Economically oriented action combined with responsibility for the environment, employees and society characterize MBB's philosophy. In our daily efforts to achieve top performance, we reconcile sustainability-related objectives with economic aspects.

In accordance with the German Act to Strengthen Non-Financial Reporting (CSR Directive Implementation Act) of April 11, 2017, MBB hereby publishes the non-financial statement for the company and the Group in accordance with section 289b HGB and section 315b HGB. The reporting period for the non-financial statement is the 2022 financial year. The information includes all consolidated subsidiaries of the MBB Group. The disclosures made in the non-financial statement are not subject to audit.

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

According to the EU Taxonomy Regulation becoming effective, MBB is required to provide information on revenues, capital expenditure (CapEx) and operating expenditure (OpEx) associated with environmentally sustainable economic activities. In accordance with Article 8 of the EU Taxonomy Regulation, the environmental objectives of "climate change mitigation" and "climate change adaptation" are reported on in the following. For a tabular overview, please refer to the end of this section.

Business model

MBB is a medium-sized family-owned company that focuses on the acquisition and management of medium-sized companies with a high level of technological and engineering expertise. Further information on the business model and the individual segments and subsidiaries can be found in the "Segments" section within the combined management and group management report 2022 of MBB.

Stakeholders

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

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

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

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

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

Materiality analysis

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

Environmental issues

The responsible use of natural resources is an important topic at all levels of the MBB Group, as operational decisions at our subsidiaries always have ecological consequences. This applies to the use of raw materials and materials as well as to the energy efficiency of the individual subsidiaries, but also in particular to the effects of our products and services on the environmental protection goals of our customers. Many MBB companies make an important contribution to environmental protection through the responsible use of resources and a high level of energy efficiency and therefore have a high level of interest in this topic for strategic reasons alone.

Friedrich Vorwerk pursues a holistic approach in its project business and manages projects through all phases of the project cycle. This allows long-term utilization and environmental aspects to be taken into account. Since infrastructure projects by definition involve interventions in existing structures, our activities have a direct impact on people and the environment. To minimize the resulting impact, we attach particular importance to forward-looking and comprehensive planning. Environmental impacts include land consumption, soil excavation, interference with the water balance, the consumption of energy, water and raw materials, and the generation of noise, dust, vibrations, emissions, wastewater and waste. These factors vary depending on the type and scope of a project. As a specialist in horizontal drilling, Friedrich Vorwerk is, for example, able to lay power lines for the landscape in a minimally invasive way. The aim is to protect and preserve the natural environment in the best possible way by integrating the special features of each project into an individual project management. The extensive environmental protection activities required for the large-scale projects carried out by Friedrich Vorwerk are usually laid down in a legally binding form in a landscape conservation plan. In Germany, this plan presents the measures that are planned for a project that requires interventions in nature and the landscape in the immediate area of the project or its immediate surroundings in order to compensate for or minimize these interventions. These measures are part of the planning documents required for the approval of a project and become legally binding with the project's zoning decision. In the case of larger projects, these measures include, for example, extensive renaturation and recultivation measures as well as landscape maintenance. In the case of smaller projects, however, they also include, for example, the implementation of tree protection measures, particularly in inner-city areas, which are also taken in coordination with the green space offices.

Furthermore, Friedrich Vorwerk pursues the goal of increasing the cost-effectiveness and efficiency of its vehicle fleet and technical equipment. Thus, fuel consumption and downtimes are constantly analyzed and fleet management is adjusted accordingly. Old vehicles, machines and equipment are constantly being replaced with new, more efficient and lower-emission ones, thereby reducing both pollutant emissions and noise emissions.

Energy efficiency and sustainability are taken into account in the procurement of materials, and we expect our suppliers and service providers to meet the same environmental standards as we do. To this end, environmental certificates and indicators are requested from potential suppliers in the purchasing process and evaluated in addition to quality, delivery time and price in the procurement process.

Friedrich Vorwerk ensures through regular training of employees in all divisions that they have a high level of environmental awareness, observe the systems for waste separation and disposal, generally use all resources sparingly and comply with the applicable operating instructions for handling hazardous and water-polluting substances.

At **Delignit**, strategic considerations regarding environmental protection also play a central role: Wood is ecologically unique as a material and energy raw material and represents the main raw material source for Delignit. Accordingly, Delignit supports the initiative "Using wood responsibly" of the Association of the German Wood-Based Panel Industry (Verband der Deutschen Holzwerkstoffindustrie e.V.). Through this, and particularly due to the renewable character of this main raw material, Delignit meets the definition of ecological sustainability in an exemplary manner. In addition, the use of wood as a substitute for products made from non-renewable raw materials is active climate protection. For example, beech wood weighs only 1/10 of structural steel with the same dimensions, but has 1/3 of its strength. The use of Delignit beech wood in the automotive industry thus reduces the CO_2 emissions of fossil resources. For many of our customers, the environmental balance plays an essential role. When different application solutions based on different materials are available, the sustainability of the Delignit product can be the deciding factor.

Aumann also makes a significant contribution to emission reduction and environmental protection. Aumann offers specialized machinery and automated manufacturing solutions that enable automotive manufacturers to mass-produce, for example, highly efficient and technologically advanced e-motors with superior power-to-weight ratios. In addition to solutions for e-motor components, Aumann also offers special machines and production lines for the manufacture of automotive energy storage systems and hybrid modules as well as complete electric powertrains. But Aumann's traditional business area also makes a significant contribution to reducing emissions. For example, Aumann's facilities for the production of drive components for internal combustion engines, such as gearboxes, assembled camshafts, cylinder activation and deactivation modules or lightweight components, make a significant contribution to reducing their customers' fleet consumption and CO_2 emissions.

Not least due to increasing customer demand, the other companies in our Group are making their contribution to our environment, thus meeting the demand for responsible action and sustainable products. For example, the foams of **CT Formpolster** are certified according to OekoTex 100, Class 1 for babies. In addition, many of the foams have the test mark "LGA tested". Our subsidiaries also set a good example in the use and disposal of waste. Most of the waste from CT Formpolster is put to good use, for example as undercarpet material. **Hanke** continuously develops and implements measures to reduce energy and water consumption and to recycle scrap material.

DTS, as an operator of its own ISO 27001-certified high-performance data centers, pays particular attention to efficient energy use. In the past, for example, cooling systems were replaced by modern, highly efficient turbo compressors, which have significantly reduced energy consumption. Whenever the company's own data center capacity is expanded, the latest findings in air-conditioning technology are taken into account with a view to maximum efficiency.

Significant environmental risks associated with the products and services of the subsidiaries result from accidents and hazards that are unlikely but cannot be completely ruled out. The theoretical case of an accident affecting environmental aspects is countered by established processes in the individual subsidiaries. We attach particular importance to high quality requirements for our suppliers and high quality standards.

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

Employee matters

The protection and respect of every human being is a top priority in the MBB Group. Compliance with internationally applicable human rights and labor standards is a matter of course for us. We condemn any form of discrimination, for example on the basis of ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation.

The most important resource of our group of companies are our employees. Therefore, the recruitment of new, motivated employees as well as a high level of satisfaction and motivation as well as a low fluctuation of the existing workforce is a central component of our sustainability strategy. We want to be an attractive employer for employees and junior staff.

MBB sees attracting qualified employees as its biggest challenge, and it is one that we actively address. In addition to conventional job adverts and recruitment consultants, we are increasingly also achieving this by using social media and positioning MBB and its individual subsidiaries as attractive employers. We intend to continue this approach going forward. Our Group currently has 3,571 employees. In addition, we employ 164 temporary workers as of December 31, 2022, a large number of whom we have regularly taken on as regular employees in the past, provided they are suitable in principle.

MBB considers the development and challenge of its employees to be an important success factor. The qualification of our employees is achieved through training and further education in all areas of the Group, as well as through high occupational health and safety standards and the targeted promotion of junior management. For example, MBB currently employs 261 apprentices or trainees on a dual course of study (previous year: 263). The distribution per subsidiary varies; the ratio of trainees to permanent employees at DTS is a pleasing 18%. As a matter of principle, we aim to take on all trainees (including those on a dual course of study) who have completed their training with us as permanent employees. This is reflected in impressive results: At DTS, for example, around one third of employees are recruited from former trainees and dual students.

In order to remain an attractive employer, all our subsidiaries invest in their employees, whether through direct support for employee training or through the modern training center at Aumann. The pandemic-related widespread introduction of home office in all departments where presence was not mandatory has shown that the required hygiene regulations could be implemented without disrupting normal company operations. As far as possible, the opportunities for our employees to work from home will continue to be available beyond the pandemic. In addition, some subsidiaries are providing their employees with free fruit and offering health-promoting workshops in cooperation with various health insurers.

Gender equality is a particular concern for us. Women, men and intersexuals have equal opportunities in our company. We strive for gender balance at all hierarchical levels. Due to the business model's inherent focus on technical professions, women are still underrepresented both in studies and in the application process, making the latter a challenge when filling positions.

When selecting managers, the managing directors always pay attention to diversity and take into account male and female applicants as well as applicants of different genders. In the final appointment, the focus is always on the professional and personal qualifications of the respective person.

The MBB Group currently employs 12.7% female staff. Two women are employed at the first management level, while 27 women are employed at the second management level.

MBB attaches great importance to the design of a safe working environment in view of the fact that the majority of its subsidiaries are active in the manufacturing sector. Employees in production are generally exposed to an increased health risk. For this reason, we set high standards for safety, especially when dealing with hazardous substances and other sources of danger. We promote our employees' skills and awareness of safe working practices by offering regular training and continuing education.

Reportable occupational accidents are recorded and evaluated at regular intervals. The number of reportable occupational accidents decreased from 130 in the previous year to 91 in the past fiscal year. As in the previous year, the number of fatal occupational accidents was zero. Our goal is to reduce the number of occupational accidents by introducing new safety concepts and further developing existing ones.

As an example, Friedrich Vorwerk fundamentally restructured the HSEQ (Health, Safety, Environment and Quality) department in 2021. In addition to bundling the group-wide resources in one department, additional specialists for occupational safety were recruited. The primary task of this department is to maintain and further develop the joint integrated management system and to create and implement uniform standards and methods in the areas of quality, occupational health and safety, and the environment and energy. Whereas, in the past, external specialists for occupational safety were relied on to a not insignificant extent due to the company's nationwide presence on projects, Friedrich Vorwerk will in future be able to ensure that almost all projects as well as all company divisions are supervised by its own staff. In this way, the relationship of trust with our employees, which is necessary for the development of these important topics, can be further strengthened and the sustainable further development of the HSEQ culture can be achieved.

Social issues, respecting human rights and combating corruption and bribery

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

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

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

Negative consequences and risks in connection with business activities

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

Overview of key non-financial indicators in accordance with section 289 (3) HGB

	2022	2021
Employees		
Number of female executives (first and second level)	29	31
Share of female employees in relation to total employees	12.7%	19.2%
Share of temporary workers in relation to total employees	4.6%	1.5%
Number of apprentices	216	218
Number of employees in cooperative study programs	45	45
Reportable work accidents	73	130
Deadly work accidents	0	0
Environment		
Energy intensity in MWh / €m revenue	167	275
Water intensity in m3 / €m revenue	348	418
Waste intensity in t / €m revenue	4.5	5.2
Social		
Charitable donations and sponsoring in €k	45	69

EU Taxonomy

In accordance with the EU Taxonomy Regulation and the supplementary delegated acts, MBB is reporting below the proportion of taxonomy-eligible and taxonomy-compliant revenue, capital expenditure, and operating expenditure for the financial year 2022 in relation to the environmental objectives "climate change mitigation" and "climate change adaptation" currently elaborated in the EU Taxonomy.

The aim of the EU Taxonomy is to encourage investment flows from the financial sector to companies engaged in environmentally sustainable activities. It is thus intended to help the EU implement the European Green Deal. In doing so, the EU Taxonomy is intended to create a common understanding of the environmental sustainability of activities and investments. Furthermore, the regulation obliges companies to report on these economic activities. In the EU legislation, the first taxonomy environmental objectives "climate change mitigation" and "climate change adaptation" have been deposited with criteria in the middle of 2021.

For fiscal year 2022, in addition to the presentation of taxonomy compliance, a review and disclosures on taxonomy compliance for the environmental goals "climate change mitigation" and "climate change adaptation" are to be provided.

Procedure in impact analysis

In order to determine taxonomy eligibility, the activities eligible for taxonomy in the MBB Group were identified in the first step with reference to the NACE codes indicated in Annexes 1 and 2 of the legal act on Regulation (EU) 2020/852. In addition, the definitions of the indicators revenue, operating expenditure (OpEx) and capital expenditure (CapEx) listed in Annex 1 to the Regulation were analyzed and the data for the respective reference figures (denominator of the indicator) were collected. In the area of operating expenses in particular, the cost types relevant here were identified. Subsequently, approaches to determine revenue, operating expenditure and capital expenditure that relate to taxonomy-eligible activities were defined.

Due to the ongoing dynamic developments with regard to the wording of the EU Taxonomy Regulation, there are currently still uncertainties of interpretation with regard to the wording and terms contained therein. Therefore, there may be adjustments to the impact analysis in the future.

Identified taxonomy-eligible economic activities

The following economic activities were identified as taxonomy-eligible:

Friedrich Vorwerk

- Transmission and distribution of electricity
- Transmission and distribution networks for renewable low-carbon gases
- Production of renewable energy technologies
- Construction, expansion and operation of systems for collection, treatment and supply of water
- District heating /cooling distribution

The European Commission has enacted the inclusion of nuclear power and natural gas in the taxonomy for sustainable economic activities through the so-called delegated act of February 2, 2022. However, the activities in the field of natural gas that are relevant for Friedrich Vorwerk are subject to strict conditions that have to be met at the present time in order to be considered taxonomy-eligible.

Whether the investments made from the point of view of our business partners are taxonomy-compliant can therefore not be finally clarified at the present time. Such activities are therefore generally reported as not taxonomy-compliant in accordance with the delegated act of February 2, 2022. This includes large parts of the activities of Friedrich Vorwerk, which may nevertheless be in line with the environmental objectives of the European Union.

Aumann

- Production of low carbon dioxide transport technologies

Delignit

- Production of low carbon dioxide transport technologies

Analysis and calculation

The assessment of revenue for taxonomy eligibility is based on revenue as defined and reported in the consolidated financial statements.

The definition of the EU taxonomy for determining the relevant operating expenditure includes expenses for research and development, building refurbishment measures, short-term leasing, maintenance and repair, as well as other direct expenses in connection with the daily maintenance of property, plant and equipment, which are reported in the consolidated income statement under other operating expenses.

At Friedrich Vorwerk, in order to determine the proportion of taxonomy-eligible operating expenditure for a project that has taxonomy-eligible revenue, the related operating expenses were counted proportionately as taxonomy-eligible.

Capital expenditure includes additions to property, plant and equipment as well as intangible assets (including acquisitions, excluding goodwill in accordance with the EU taxonomy). Taxonomy-eligible capital expenditures relate to assets and projects associated with taxonomy-eligible economic activities. In addition, individual capital expenditures from the acquisition of assets from taxonomy-eligible economic activities and the implementation of individual measures to achieve climate targets were taken into account. The various taxonomy-eligible capital expenditures were related to the capital expenditures reported in the annual report.

Technical screening criteria determine the taxonomy compliance of the respective economic activities. Information on the screening and evaluation of these criteria is largely not available, so that the taxonomy conformity of the economic activities was reported as 0%.

Results of analysis

The following table shows the taxonomy-eligible key figures for the MBB Group.

EU-Taxonomy	Total (€ million)	Taxonomy -eligible, not taxonomy compliant (€ million)	Taxonomy -eligible, not taxonomy compliant (%)
Revenue	896.5	292.2	32.6%
Capital expenditure	51.6	18.1	35.1%
Operating expenditure	26.2	7.3	27.9%

Report on expected developments

MBB SE expects revenue of €850 - 900 million with an adjusted EBITDA margin of 9 - 11% for the financial year 2023. In addition, MBB sees very good opportunities for further company acquisitions in 2023 and plans to grow through both add-on as well as stand-alone acquisitions into new business areas.

Berlin, March 29, 2023

The Executive Management of MBB SE

MBB SE Condensed Annual Financial Statements for 2022

Income statement (HGB)	2022 audited €k	2021 audited €k
Revenue	1,774	2,149
Other operating income	1,036	217,310
Staff costs	3,520	20,651
Depreciation and amortization of intangible assets and property, plant and equipment	47	93
Other operating expenses	8,675	19,274
Income from equity investments	2,608	18,945
Income from other securities and loans of financial assets	27,345	11,108
Other interest and similar income	1,267	103
Write-downs on securities	8,278	966
Interest and similar expenses	585	811
Tax expense	10	1,705
Net profit (+) / loss (-) for the year	**12,915**	**206,113**
Profit carried forward from the previous year	366,265	181,856
Dividends paid	-11,492	-10,441
Expenses from the withdrawal of shares	0	0
Purchase of treasury shares	-5,165	-11,263
Retained earnings	**362,523**	**366,265**

Statement of financial position (HGB) Assets	2022 audited €k	2021 audited €k
Intangible assets	30	2
Property, plant and equipment	157	94
Financial assets	109,719	158,678
Non-current assets	**109,906**	**158,774**
Receivables and other assets	9,999	9,277
Securities	82,556	204
Cash in hand and bank balances	189,353	230,237
Current assets	**281,908**	**239,719**
Prepaid expenses	**28**	**22**
Total assets	**391,842**	**398,515**
Equity and liabilities	€k	T€
Equity	**389,499**	**392,540**
Provisions and accruals	**1,989**	**4,581**
Liabilities	**354**	**1,395**
Total Equity and liabilities	**391,842**	**398,515**

Appropriation of earnings

The HGB net profit for the year of €12,915,005.47 is reported with the profit carryforward of €366,265,031.57 less the purchase of treasury shares of €5,164,839.45 and dividend distributions of €11,492,310.06 as retained earnings. The Executive Management and the Board discussed the appropriation of the unappropriated profit of €362,522,887.53 for 2022 in the run-up to the Board meeting on March 29, 2023. The Executive Management and the Board propose to carry forward the unappropriated profit initially against the background of the current political and economic situation and suggest to discuss a profit distribution again in good time prior to the Annual General Meeting.

IFRS Consolidated Financial Statements for 2022

IFRS consolidated statement of profit or loss	Notes	Jan 1 - Dec 31, 2022 €k	Jan 1 - Dec 31, 2021 €k
Revenue	III.1.	**896,453**	**680,329**
Increase (+), decrease (-) in finished goods and work in progress		4,322	1,394
Operating performance		**900,775**	**681,723**
Income from initial consolidation		0	203
Income from joint ventures and associates	III.2.	16,057	5,122
Other operating income	III.3.	23,077	24,263
Total performance		**939,909**	**711,312**
Cost of raw materials and supplies		-318,419	-228,620
Cost of purchased services		-232,455	-145,780
Cost of materials		**-550,874**	**-374,400**
Wages and salaries		-186,945	-187,665
Social security and pension costs		-49,195	-41,084
Staff costs		**-236,140**	**-228,749**
Other operating expenses	III.4.	-64,917	-52,265
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**87,978**	**55,897**
Depreciation and amortization expense	III.5.	-43,407	-36,894
Earnings before interest and taxes (EBIT)		**44,571**	**19,003**
Finance income	III.6.	3,898	112
Finance costs	III.7.	-3,550	-2,963
Earnings attributable to non-controlling interests		-2,013	-3,177
Net finance costs		**-1,665**	**-6,028**
Earnings before taxes (EBT)		**42,906**	**12,975**
Income tax expense	III.8.	-17,862	-10,704
Other taxes	III.8.	-889	-1,222
Earnings after taxes		**24,154**	**1,049**
of which attributable to:			
- MBB SE shareholders		11,764	-11,570
- Non-controlling interests		12,391	12,619
Basic Earnings per share (in €)	III.9.	**2.02**	**-1.96**
Diluted earnings per share (in €)	III.9.	**2.19**	**-1.61**

IFRS consolidated statement of comprehensive income	Notes	Jan 1 - Dec 31, 2022 €k	Jan 1 - Dec 31, 2021 €k
Earnings after taxes		**24,154**	**1,049**
Items that may be subsequently reclassified to profit and loss			
Fair value changes bonds and gold	III.10	-2,299	270
Currency translation differences	II.11.4	-481	367
Items that will not be subsequently reclassified to profit and loss			
Fair value changes shares	III.10	-34,652	41,966
Reserve for pensions	II.11.4	9,427	1,962
thereof deferred taxes		-2,825	-622
Other comprehensive income after taxes		**-30,830**	**43,942**
Comprehensive income for the reporting period		**-6,676**	**44,991**
thereof attributable to:			
- Shareholders of the parent company		-19,248	26,876
- Non-controlling interests		12,572	18,115

Statement of financial position Assets (IFRS)	Notes	Dec 31, 2022 audited €k	Dec 31, 2021 audited €k
Non-current assets			
Concessions, industrial property and similar rights	II.3.	21,577	24,344
Goodwill	II.2.	48,726	46,141
Advance payments	II.3.	41	4
Intangible assets		**70,344**	**70,489**
Land and buildings including buildings on third-party land	II.4.	86,728	90,756
Technical equipment and machinery	II.4.	62,297	62,862
Other equipment, operating and office equipment	II.4.	33,072	27,067
Advance payments and assets under development	II.4.	8,794	2,999
Property, plant and equipment		**190,890**	**183,684**
Joint ventures and associates	II.5.	17,059	8,900
Other participations	II.5.	1	1
Long-term securities	II.5.	66,039	201,309
Other loans	II.5.	1,184	1,310
Financial assets		**84,283**	**211,519**
Deferred tax assets	II.10.1	**14,314**	**17,691**
		359,831	**483,383**
Current assets			
Raw materials and supplies	II.6.	26,867	20,890
Work in progress	II.6.	9,851	8,399
Finished goods and commodities	II.6.	10,241	11,210
Advance payments		18,068	5,497
Inventories		**65,027**	**45,996**
Trade receivables	II.7.	65,469	58,447
Contract assets	II.8.	161,830	119,168
Income tax receivables	II.10.2	12,326	9,615
Other current assets	II.9.	9,785	14,466
Trade receivables and other current assets		**249,410**	**201,695**
Gold	II.5.	4,394	4,153
Securities	II.5.	79,839	266
Derivative financial instruments	II.5.	321	52
Financial assets		**84,554**	**4,471**
Cash in hand	V.	63	108
Bank balances	V.	362,644	416,668
Cash in hand, bank balances		**362,706**	**416,775**
		761,697	**668,937**
Total assets		**1,121,527**	**1,152,320**

Statement of financial position Equity and liabilities (IFRS)	Notes	Dec 31, 2022 audited €k	Dec 31, 2021 audited €k
Equity			
Issued capital	II.11.1	5,804	5,847
Capital reserve	II.11.2	475,240	479,089
Legal reserve	II.11.3	61	61
Retained earnings and other comprehensive income	II.11.4	61,436	96,124
Non-controlling interests	II.11.5	226,987	227,357
		769,527	**808,479**
Non-current liabilities			
Liabilities to banks	II.13.	30,396	40,563
Lease liabilities	II.16.	10,484	13,488
Liabilities from participation rights	II.13.	10,213	10,213
Liabilities to non-controlling interests	II.13.	2,231	1,304
Other liabilities	II.14.	2,970	5,111
Pension provisions	II.12.	18,615	28,255
Other provisions	II.15.1	3,709	2,447
Deferred tax liabilities	II.10.1	26,835	24,067
		105,454	**125,447**
Current liabilities			
Liabilities to banks	II.13.	18,759	25,437
Lease liabilities	II.16.	8,136	8,452
Trade payables	II.13.	66,571	53,364
Contract liabilities	II.13.	48,783	34,421
Liabilities to non-controlling interests	II.13.	2,534	4,997
Other liabilities	II.14.	38,422	30,737
Accruals	II.15.1	35,673	23,634
Income tax liabilities	II.10.2	13,816	12,939
Other provisions	II.15.1	13,851	24,414
		246,546	**218,394**
Total equity and liabilities		**1,121,527**	**1,152,320**

Consolidated statement of cash flows	Jan 1 - Dec 31 2022 €k	Jan 1 - Dec 31 2021 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**44,571**	**19,003**
Depreciation and amortization expense	43,407	36,894
Increase (+), decrease (-) in provisions	-12,642	-3,316
Losses (+), Gains (-) from disposal of non-current assets	-2,295	-436
Income from joint ventures and associates	-16,057	-5,122
Other non-cash expenses and income	6,887	-220
Adjustments for non-cash transactions	**19,301**	**27,801**
Increase (-), decrease (+) in inventories, trade receivables and other assets	-71,024	-7,058
Decrease (-), increase (+) in trade payables and other liabilities	49,631	13,288
Change in working capital	**-21,393**	**6,230**
Income taxes paid	-16,950	-19,600
Interest received	533	112
Dividend proceeds from joint ventures and associates	9,309	4,496
Disclosure correction (reclassification)	0	21,080
Cash flow from operating activities	**35,370**	**59,122**
2. Cash flow from investing activities		
Investments (-), divestments (+) intangible assets	-8,033	-8,917
Investments (-), divestments (+) property, plant and equipment	-36,270	-29,584
Investments (-), divestments (+) long-term financial assets and securities	17,924	-43,424
Business combinations (less cash received)	-181	-3,196
Disposals of businesses (less cash decrease from deconsolidation)	-137	0
Cash flow from investing activities	**-26,697**	**-85,122**
3. Cash flow from financing activities		
Proceeds from IPO of Friedrich Vorwerk Group SE	0	306,000
Payments for transaction costs from the issue of equity instruments (recognized in profit and loss)	0	-21,080
Payments for transaction costs from the issue of equity instruments (recognized in equity)	0	-12,650
Profit distribution to shareholders	-11,492	-10,441
Payments to non-controlling interests	-7,139	-10,609
Payments for (-), proceeds from disposal of (+) shares without change of control	-12,341	-2,016
Purchase of treasury shares	-5,207	-11,349
Proceeds from borrowings	13,296	23,633
Repayments of loans	-26,858	-14,746
Payments for lease liabilities	-9,394	-10,420
Interest payments	-3,495	-3,475
Cash flow from financing activities	**-62,630**	**232,849**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	-53,956	206,849
Effects of changes in foreign exchange rates (non-cash)	-113	198
Cash and cash equivalents at start of reporting period	416,775	209,728
Cash and cash equivalents at end of period	**362,706**	**416,775**

Consolidated statement of cash flows	Jan 1 - Dec 31 2022 €k	Jan 1 - Dec 31 2021 €k
Composition of cash and cash equivalents		
Cash in hand	63	108
Bank balances	362,644	416,668
Reconciliation to liquid funds as of Dec 31		
Cash and cash equivalents at end of period	**362,706**	**416,775**
Gold	4,394	4,153
Securities	145,878	201,574
Liquid funds as of Dec 31	**512,978**	**622,503**

Statement of changes in consolidated equity

	Issued capital	Capital reserve	Legal reserve	Retained earnings and other comprehensive income: Currency translation difference	Fair value reserve	Reserve for pensions	Other reserve	Retained earnings	Attributable to MBB SE shareholders	Non-controlling interests	Consolidated equity
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
Jan 1, 2021	**5,932**	**253,180**	**61**	**-2,072**	**16,748**	**-3,010**	**-2,274**	**86,291**	**354,856**	**144,835**	**499,692**
Dividends paid	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-10,441**	**-10,441**	**-8,837**	**-19,278**
Amounts recognized in other comprehensive income	0	0	0	0	37,769	614	0	0	38,383	5,192	43,575
Currency translation difference	0	0	0	63	0	0	0	0	63	303	367
Consolidated net profit	0	0	0	0	0	0	0	-11,570	-11,570	12,619	1,049
Total comprehensive income	**0**	**0**	**0**	**63**	**37,769**	**614**	**0**	**-11,570**	**26,876**	**18,115**	**44,991**
Purchase of treasury shares	-85	-11,263	0	0	0	0	0	0	-11,349	0	-11,349
IPO and capital increase of Friedrich Vorwerk Group SE	0	247,680	0	0	0	0	0	0	247,680	58,320	306,000
Transaction costs from the issue of equity instruments	0	-11,431	0	0	0	0	0	0	-11,431	-1,218	-12,650
Other changes	0	924	0	39	0	7	1,336	-17,377	-15,071	16,142	1,071
Dec 31, 2021	**5,847**	**479,089**	**61**	**-1,970**	**54,517**	**-2,390**	**-937**	**46,903**	**581,120**	**227,357**	**808,479**
Dividends paid	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-11,492**	**-11,492**	**-3,554**	**-15,047**
Amounts recognized in other comprehensive income	0	0	0	0	-33,895	3,288	0	0	-30,607	258	-30,349
Currency translation difference	0	0	0	-404	0	0	0	0	-404	-77	-481
Consolidated net profit	0	0	0	0	0	0	0	11,764	11,764	12,391	24,154
Total comprehensive income	**0**	**0**	**0**	**-404**	**-33,895**	**3,288**	**0**	**11,764**	**-19,248**	**12,572**	**-6,676**
Purchase of treasury shares	-43	-5,165	0	0	0	0	0	0	-5,207	0	-5,207
Capital transactions involving a change in ownership interest	0	0	0	24	413	-124	0	-3,463	-3,151	-9,191	-12,341
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	-811	-811
Other changes	0	1,315	0	-198	28	-95	-734	202	517	614	1,132
Dec 31, 2022	**5,804**	**475,240**	**61**	**-2,548**	**21,063**	**678**	**-1,672**	**43,913**	**542,539**	**226,987**	**769,527**

Notes to the Consolidated Financial Statements for 2022

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

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

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

The consolidated financial statements of MBB SE for the 2022 financial year were approved by the Board of MBB SE on March 29, 2023 and published on March 30, 2023.

1.2 Accounting policies

Due to its admission to the regulated market, MBB SE prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements for the year ended 31 December 2022 are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the EU and effective at the end of the reporting period. The term “IFRS” includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRS IC). The consolidated financial statements are supplemented by a combined management report and Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

All figures in this report refer to December 31, 2022, or the fiscal year from January 1 to December 31, 2022, unless otherwise stated. Percentages and figures in this report may be subject to rounding differences.

Application of new and amended standards

In fiscal year 2022, there were no significant changes in accounting standards that have an impact on these consolidated financial statements.

The following amended standards were required to be applied for the first time in fiscal year 2022.

Regulation	Title	Effects
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	none
IFRS 3	Business Combinations - Reference to the Conceptual Framework	none
IAS 37	Provisions - Onerous Contracts - Cost of Fulfilling a Contract	none
IFRS 16	Leases - Covid-19 related rent concessions	none
	Annual Improvements 2018 - 2020	none

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

Regulation	Title	Application	Effect
IAS 1	Presentation of Financial Statements	01/01/2023	no material effects
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01/01/2023	no material effects
IAS 12	Income Taxes	01/01/2022	no material effects
IFRS 16	Leases	01/01/2024	no material effects
IFRS 17	Insurance Contracts	01/01/2023	no material effects

Any standards that are not listed in the overview are of secondary importance to MBB.

1.3 Business combinations

One business combination was carried out in the financial year:

Hempel Aluminiumbau

On April 27, 2022, a purchase agreement was signed for the acquisition of 100% of the shares in Hempel Aluminiumbau GmbH, Storkow (Mark). Hempel Aluminiumbau GmbH is a supplier of aluminum control cabinets, the company is included in the Service & Infrastructure segment. The company was consolidated for the first time as of April 30, 2022. This business combination resulted in a positive difference (goodwill) of €150 thousand.

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

Hempel Aluminiumbau GmbH €k	Carrying amount before PPA	Fair Value according to PPA
Assets and liabilities		
Intangible assets	0	5
Property, plant and equipment	68	82
Current assets	190	192
Cash and cash equivalents	149	149
Provisions and liabilities	233	246
Deferred tax liabilities	0	2
Identified acquired net assets	**174**	**180**
Calculation of difference		
Purchase price for acquired shares		330
Total acquisition costs		**330**
Identified acquired net assets (100%)		180
Goodwill (+)		**150**
Net cash outflow from the acquisition		181

The business combination was carried out using the purchase method. The value of the revalued equity amounted to €180 thousand at the date of initial consolidation. The current receivables acquired as part of the transaction, which mainly comprise trade receivables, have a fair value of €83 thousand, which also corresponds to the gross value of the receivables. The best estimate made at the acquisition date of the contractual cash flows that are not expected to be collectible amounts to €0 thousand. Furthermore, there were no contingent assets or liabilities. Incidental transaction costs amounted to €5 thousand. Since the date of initial consolidation, revenue of €772 thousand and a profit of €90 thousand have been recognized from the acquired company. If the company had already been included in the Group at the beginning of 2022, projections indicate that revenue of €976 thousand and a loss of €83 thousand from this company would have been included in the consolidated financial statements. The purchase price for the acquired shares amounted to €330 thousand and was fully paid in cash.

The goodwill arising mainly results from efficiency and synergy gains. No tax deductibility is expected for the goodwill resulting from the acquisition.

The purchase price allocation used for the initial consolidation is provisional, as information may become available after the purchase price allocation has been prepared that would lead to a subsequent adjustment within one year of acquisition. The changes may arise in particular in the measurement of intangible assets and deferred taxes.

Overall impact of the business combination

The consolidated profit includes profits of €90 thousand from the company included in the consolidated financial statements for the first time in the financial year. Revenue include €772 thousand from the subsidiary consolidated for the first time in the financial year. If the business combination had taken place on January 1, 2022, projections show that consolidated revenue would have increased by €204 thousand

and consolidated profit would have decreased by €173 thousand (in each case before non-controlling interests).

Goodwill of €150 thousand was recognized in total from the business combination.

The company consolidated for the first time is consolidated as of date close to acquisition date, provided that there are no material changes compared with the date of acquisition.

Finalization of the purchase price allocation of the companies Gottfried Puhlmann GmbH and Gottfried Puhlmann GmbH Havelländische Bauunternehmung

Within the measurement period as defined by IFRS 3.45, the Friedrich Vorwerk has adjusted the purchase price allocation due to the now finalized measurement of intangible assets and liabilities (order backlog). Compared to the preliminary purchase price allocation and the presentation published in the Annual Report 2021, intangible assets have decreased by €361 thousand and contract assets by €766 thousand, while liabilities have increased by €3,014 thousand. Taking into account deferred taxes and a reduction in non-controlling interests, goodwill increased by €2,434 thousand to €3,812 thousand.

1.4 Company law changes and structural changes in 2022

On February 21, 2022, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from February 23, 2022 to April 30, 2022, MBB SE acquired 42,640 treasury shares of the company via the stock exchange with a total value of €5,207,479.45. The nominal value of the acquired treasury shares of €42,640 is deducted from the issued capital. The difference (€5,164,839.45) between the acquisition cost of the treasury shares and the nominal value of the treasury shares acquired was offset against the capital reserves.

In the first quarter of 2022, MBB SE acquired a total of 715,321 shares in Aumann AG on the stock exchange at a purchase price of €11.6 million. The shareholding ratio as of the balance sheet date is therefore 44.74% (December 31, 2021: 40.05%).

By notarized shareholders' resolution dated June 22, 2022, it was resolved to dissolve DTS Systeme Wien GmbH, Vienna, and liquidation proceedings were initiated on October 20, 2022. The business existing to a minor extent in the fiscal year was transferred to DTS Systeme GmbH, Herford.

Friedrich Vorwerk SE & Co. KG acquired the remaining shares amounting to 50% in Gottfried Puhlmann Hamburg GmbH (formerly: SKS Straßenbau GmbH) on October 12, 2022. The company has already been fully included in the consolidated financial statements since January 1, 2021 on the basis of a voting rights agreement.

MBB sold 89.9% of its shares in OBO-Werke GmbH in November 2022. MBB no longer exercises control over OBO-Werke GmbH and does not have any significant influence on the company's business and financial policies. The deconsolidation of OBO-Werke GmbH resulted in an expense of €-3,412 thousand, to which the measurement of the retained shares in the company at fair value did not contribute. This effect on earnings is reported under other operating expenses.

2. Group of consolidated companies

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

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Susidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**44.74**
Aumann Beelen GmbH, Beelen, Germany	44.74
Aumann Berlin GmbH, Beelen, Germany[1]	44.74
Aumann Winding and Automation Inc., Clayton, USA	44.74
Aumann Espelkamp GmbH, Espelkamp, Germany	44.74
Aumann Immobilien GmbH, Espelkamp, Germany	42.46
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	44.74
Aumann Technologies (China) Ltd. Changzhou, China	44.74
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**75.47**
Blomberger Holzindustrie GmbH, Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	**80.00**
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH in liqu., Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany	64.27
Friedrich Vorwerk Group SE, Tostedt, Germany	**36.00**
Friedrich Vorwerk Management SE, Tostedt, Germany	36.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	**32.42**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	32.42
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	32.42
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	32.42
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	32.42
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	32.42
European Pipeline Services GmbH, Tostedt, Germany	32.42
Gottfried Puhlmann GmbH, Marne, Germany	24.32
Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, Germany	31.27
Gottfried Puhlmann Hamburg GmbH, Tostedt, Germany[2]	32.42
Hempel Aluminiumbau GmbH, Storkow (Mark), Germany	32.42
KORUPP GmbH, Twist, Germany	32.42
Vorwerk - ASA GmbH, Herne, Germany	32.42
Vorwerk-EEE GmbH, Tostedt, Germany	32.42
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	32.42
Vorwerk Verwaltungs GmbH, Tostedt, Germany	32.42
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**94.08**

[1] Business operations of Aumann Berlin GmbH were discontinued at the end of 2020.

[2] Formerly: SKS Straßenbau GmbH

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

Name and registered office of the company	Ownership interest in %
Joint ventures (Consortiums)	
ARGE Bavaria Loop Süd	33.33
ARGE CCP II Step 1	50.00
ARGE DOW Ohrensen K28	50.00
ARGE EGL 442	58.00
ARGE EmCo KÜA	50.00
ARGE ETL 178 Walle - Wolfsburg	50.00
ARGE EUGAL Los 7+8	37.50
ARGE Flugplatz WTM IT-Ltg	50.00
ARGE Glasfaserbau Kronprinzenkoog	33.33
ARGE Kabeltrasse GSH	40.00
ARGE Kabeltrasse WMC	40.00
ARGE Katharina	50.00
ARGE LNG Brunsbüttel	25.00
ARGE NEP Werne RB	33.33
ARGE NWKG - 3. BA	50.00
ARGE NWKG K301/K603	50.00
ARGE NWKG K302/K308	50.00
ARGE RamBO SuedLink	50.00
ARGE Reha Südfeld Los 2 BA 3+4	33.33
ARGE STORAG ETZEL VT 8 / VT 16	50.00
ARGE VS Würselen - MCC-I	45.00
ARGE VS Würselen - Vorabmaßnahmen	50.00
ARGE Werne-Schlüchtern	50.00
ARGE Zeelink 3+5 (Beistellung)	50.00
Dach-ARGE Abschnittsweise Außerbetriebsnahme FGL 201.09 & 103.02	50.00
Dach-ARGE BORWIN 5	50.00
Dach-ARGE Elbchaussee 1. BA	36.00
Dach-ARGE Fehlstellensanierung	50.00
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung AS Asbeck	50.00
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung AS Frömern, AS Bötersen	50.00
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung Campus Rehden	50.00
Dach-ARGE Fehlstellensanierung 2021 - Umbau K 460 BASF	50.00
Dach-ARGE Fehlstellensanierung 2021 - Umhüllungen	50.00
Dach-ARGE FGL 105	50.00
Dach-ARGE GDRM Anlagen Zeelink	50.00
Dach-ARGE HD-Leitung Iserlohn	52.34
Dach-ARGE HD-Leitung Kaisersesch	50.00
Dach-ARGE Kabeltrasse Ganderkesee - St. Hülfe	50.00
Dach-ARGE Kabeltrasse WMC	50.00
Dach-ARGE KoRü BAB 14 FGL 064/110/302	60.00
Dach-ARGE RV Ruhrtalleitung BA 2+3	45.00
Dach-ARGE Stadtbeleuchtung II	50.00
Dach-ARGE TAV	50.00
Dach-ARGE Technische Dienstleistung Gasunie Deutschland	33.30
Dach-ARGE Thyssengas STEAG Leitung	63.70
Dach-ARGE ZEELINK Los 3 - (bis) 5	25.00
Dach-ARGE Zollvereinring	33.33
JV Baltic Pipe	33.33

Name and registered office of the company	Ownership interest in %
Associates at amortized cost	
S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania	24.00
S.C. Cildro S.A., Drobeta Turnu Severin, Romania	17.90
S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania	17.90
Shares at amortized cost	
OBO-Werke GmbH, Stadthagen, Germany	10.10

There are significant non-controlling interests in Aumann AG and Friedrich Vorwerk Group SE. MBB's ownership interest in Aumann AG amounts to 44.74% as of the end of the reporting period (previous year: 40.05%) and to 36.00% in Friedrich Vorwerk Group SE (previous year: 36.00%).

Please see note I.3.1 in the notes to the consolidated financial statements for information on the consolidation of Aumann AG and Friedrich Vorwerk Group SE.

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

With regards to financial information for Friedrich Vorwerk Group SE we refer to Friedrich Vorwerk Group SE published annual report available on https://www.friedrich-vorwerk.de/en/investor-relations/financial-reports.html.

3. Principles of consolidation

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

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

3.1 Subsidiaries

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

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

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

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

MBB SE consolidates both Aumann AG and Friedrich Vorwerk Group SE, although the respective share in the companies is less than 50%. The decision on full consolidation as per IFRS 10 is based not only on the percentage of ownership, but also on the actual control.

In the case of Aumann AG, the criterion of control under IFRS 10 is met because MBB SE holds an absolute majority of the voting rights at the annual general meeting of Aumann AG and intends to further increase its stake in Aumann.

In the case of Friedrich Vorwerk Group SE, the control criterion is met because MBB SE, which holds 36.00% of the shares, and ALX Beteiligungsgesellschaft mbH, which holds 18.00% of the shares, have an agreement to exercise voting rights uniformly.

3.2 Non-controlling interests

At the time of acquisition, non-controlling interests are initially measured at their corresponding share of the identifiable net assets of the acquired company. Changes in the Group's share in a subsidiary that do not result in a loss of control are recognized as equity transactions.

3.3 Associates

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

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

3.4 Joint arrangements

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

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

4. Presentation of accounting policies

4.1 General information

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

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

4.2 Reporting currency

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

4.3 Currency translation

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

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

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

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

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

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

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

	Closing rate Dec 31, 2022	Average rate 2022
Polish zloty (PLN)	4.6808	4.6845
Chinese renminbi (CNY)	7.3582	7.0798
US-Dollar (USD)	1.0666	1.0538

	Closing rate Dec 31, 2021	Average rate 2021
Polish zloty (PLN)	4.5969	4.5640
Chinese renminbi (CNY)	7.1947	7.6351
US-Dollar (USD)	1.1326	1.1851

4.4 Intangible assets

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

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

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

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

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

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

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

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

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

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

Patents are amortized over a useful life of 10 years.

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

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

4.5 Goodwill

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

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

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

4.6 Property, plant and equipment

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

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

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

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

Land is not depreciated.

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

Prepayments made and property, plant and equipment under construction are not depreciated or amortized until completion.

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

4.7 Leases

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

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

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

Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise they are discounted using the incremental borrowing rate. MBB uses the incremental borrowing rate. This incre-mental borrowing rate is a risk-adjusted interest rate derived for the specific term and currency, also taking into account the credit rating of the individual Group companies.

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

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

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

MBB exercises the option under IFRS 16 not to recognize right-of-use assets and lease liabilities for low-value (i.e. value of underlying asset €5,000 or less on acquisition) and short-term leases (remaining term of twelve months or less). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

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

MBB has no investment property.

4.8 Borrowing costs

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

4.9 Impairment of non-financial assets

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

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

4.10 Financial instruments – Initial recognition and subsequent measurement

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

I) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets measured at amortized cost (debt instruments)

The Group measures financial assets at amortized cost when both the following conditions are met:

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition and financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as hedging instruments being effectively hedged. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss. This category includes derivative financial instruments and listed equity instruments that the Group has not elected to classify as at fair value through other comprehensive income. Dividends from listed equity instruments are also recognized as other income in the income statement when the right to receive payment is established.

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

II) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities measured at fair value through profit or loss

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

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

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

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

Loans and liabilities

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

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

Derecognition

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

III) Offsetting of financial instruments

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

4.11 Put options of non-controlling shareholders

If they arise in the course of business combinations and represent contingent consideration, put options must be recognized at fair value at the time of the business combination. Contingent consideration classified as an asset or liability is measured at fair value at each reporting date with changes recognized in profit or loss.

4.12 Derivative financial instruments

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

4.13 Inventories

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

4.14 Contract assets and contract liabilities

Construction contracts with customers (Service & Infrastructure segment)

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

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

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

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

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

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

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

Revenue in plant engineering (Service & Infrastructure segment)

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

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

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

In this segment, advance payments for plant construction prior to performance of services are customary for individual projects.

Construction contracts (Technological Applications segment)

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

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

4.15 Cash and cash equivalents / cash flow

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.

Interest and dividends received are presented in cash flow from operating activities, interest paid in cash flow from financing activities.

4.16 Equity

The components of equity are accounted for in accordance with IAS 32 - Financial Instruments: Presentation. Ordinary shares are classified as equity.

Treasury shares are accounted for as a deduction from equity. The nominal value of treasury shares is deducted from issued capital, the remaining difference to the purchase price is deducted from capital reserves.

4.17 Provisions

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

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

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

4.18 Share-based payments

The fair value on the date on which stock options are granted to beneficiaries is recognised as an expense with a corresponding increase in the capital reserve over the period in which the beneficiaries acquire an unrestricted entitlement to the options.

4.19 Pensions and other post-employment benefits

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

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

4.20 Revenue recognition

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

Sale of goods and products, provision of services

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

Revenue from construction contracts (Technological Applications segment)

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

Please see the information on contract assets for further details.

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

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

Please see the information on contract assets for further details.

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

Revenue from plant engineering projects (Service & Infrastructure segment)

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

Interest income

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

Dividends

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

4.21 Taxes

a) Current income taxes

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

b) Deferred taxes

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

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

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

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

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

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

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

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

4.22 Contingent liabilities and contingent assets

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

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

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

4.23 Government grants

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

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

4.24 Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair values for financial and non-financial assets and liabilities.

In determining the fair value of an asset or liability, MBB uses observable market data to the extent possible. Based on the inputs used in the valuation techniques, fair values are categorized into different levels of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: Valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Valuation parameters for assets or liabilities that are not based on observable market data

If the inputs used to measure the fair value of an asset or liability can be categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety into the level of the fair value hierarchy that corresponds to the lowest level input that is significant to the measurement as a whole.

4.25 Classification of expenses

Expenses recognized in the income statement are classified by nature in accordance with the nature of expense method.

Other taxes comprise taxes outside income taxes and are presented separately in the item "Other taxes".

5. Material judgements, estimates and assumptions

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

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

a) Impairment of non-financial assets

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

b) Pensions and other post-employment benefits

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

c) Provisions

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

d) Deferred tax assets

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

e) Revenue from contracts with customers

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

f) Accounting for gold reserves

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

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

II. Notes to the consolidated statement of financial position

1. Non-current assets

1.1 Statement of changes in non-current assets of the MBB Group as of December 31, 2022

Dec 31, 2022	Opening balance cost €k	Additions in the financial year €k	Businss acquisition €k	Reclassification €k	Disposals in the financial year €k	Disposals from deconsolidation €k	Currency translation differences €k	Write downs (accumulated) €k	Carrying mount at the end of financial year €k	Carrying amount at the end of previous year €k	Write downs in the financial year €k	Disposals on write downs (deconsolidation) €k	Disposals on write downs (others) €k	Currency translation differences €k
I. Intangible assets														
1. Concessions, industrial property rights and similar rights	37,952	5,361	0	44	-1,214	-896	-28	-30,444	10,774	13,091	-7,404	701	1,103	17
2. Development Costs	14,209	3,461	0	0	-740	0	0	-6,220	10,710	9,945	-2,697	0	740	0
3. Customer base	885	0	0	-3	0	-882	0	0	0	297	-90	678	0	0
4. Order backlog	11,059	0	-356	0	0	0	0	-10,609	93	1,011	-562	0	0	0
5. Goodwill	46,141	0	2,585	0	0	0	0	0	48,726	46,141	0	0	0	0
6. Advance payments	4	38	0	0	0	0	0	0	41	4	0	0	0	0
	110,249	**8,860**	**2,229**	**41**	**-1,955**	**-1,778**	**-28**	**-47,273**	**70,344**	**70,489**	**-10,753**	**1,379**	**1,844**	**17**
II. Property, plant and equipment														
1. Land and buildings including buildings on third-party land	116,353	5,384	0	417	-5,268	-3,681	-298	-26,179	86,728	90,756	-5,053	1,546	2,856	68
2. Technical equipment and machinery	125,063	16,273	18	1,551	-6,654	-5,912	-696	-67,348	62,297	62,862	-15,098	3,746	5,782	423
3. Other equipment, operating and office equipment	62,976	18,173	64	450	-4,782	-3,305	-34	-40,471	33,072	27,067	-11,610	2,905	4,118	26
4. Advance payments and assets under development	3,044	9,546	0	-2,459	-1,225	-60	0	-50	8,794	2,999	-6	0	0	0
	307,436	**49,376**	**82**	**-41**	**-17,929**	**-12,958**	**-1,028**	**-134,048**	**190,890**	**183,684**	**-31,766**	**8,197**	**12,756**	**517**
Total	**417,685**	**58,236**	**2,311**	**0**	**-19,884**	**-14,736**	**-1,056**	**-181,321**	**261,234**	**254,173**	**-42,519**	**9,576**	**14,599**	**534**

1.2 Statement of changes in non-current assets of the MBB Group as of December 31, 2021

Dec 31, 2021	Opening balance cost €k	Additions in the financial year €k	Businss acquisition €k	Reclassification €k	Disposals in the financial year €k	Currency translation differences €k	Write downs (accumulated) €k	Carrying mount at the end of financial year €k	Carrying amount at the end of previous year €k	Write downs in the financial year €k	Disposals on write downs €k	Currency translation differences €k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights	29,912	7,048	2	1,316	-327	1	-24,861	13,091	10,545	-5,774	281	-1
2. Development Costs	12,460	1,749	0	0	0	0	-4,263	9,945	9,518	-1,321	0	0
3. Customer base	882	0	4	-1	0	0	-588	297	392	-98	0	0
4. Order backlog	10,550	0	508	0	0	0	-10,047	1,011	1,277	-774	0	0
5. Goodwill	44,449	0	1,692	0	0	0	0	46,141	44,449	0	0	0
6. Advance payments	1,149	167	0	-1,312	0	0	0	4	1,149	0	0	0
	99,403	**8,963**	**2,206**	**3**	**-327**	**1**	**-39,760**	**70,489**	**67,330**	**-7,967**	**281**	**-1**
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	99,684	5,616	3,138	9,968	-1,949	-103	-25,597	90,756	77,091	-4,812	1,799	9
2. Technical equipment and machinery	109,491	15,609	5,412	2,901	-8,054	-296	-62,201	62,862	52,544	-13,030	7,589	187
3. Other equipment, operating and office equipment	57,225	10,346	2,878	424	-7,913	16	-35,909	27,067	23,816	-9,853	7,364	-11
4. Advance payments and assets under development	11,606	4,857	0	-13,295	-127	2	-44	2,999	11,575	-13	0	0
	278,006	**36,428**	**11,428**	**-3**	**-18,042**	**-381**	**-123,752**	**183,684**	**165,026**	**-27,708**	**16,752**	**185**
Total	**377,409**	**45,391**	**13,634**	**0**	**-18,369**	**-380**	**-163,512**	**254,173**	**232,356**	**-35,675**	**17,033**	**184**

2. Goodwill

The carrying amount of goodwill is €48,726 thousand (previous year: €46,141 thousand).

The increase in goodwill results from the adjustment of the initial consolidation of Gottfried Puhlmann GmbH acquired in the previous year and the acquisition of Hempel Aluminium Bau GmbH described in Note 1.3. The increase totaling €2,585 thousand is allocated to the Service & Infrastructure segment.

Goodwill is subject to an annual impairment test. In conjunction with impairment testing, goodwill acquired in business combinations was allocated to the cash-generating units (CGU). These comprise Aumann Limbach-Oberfrohna (€28,426 thousand), Aumann EBI [comprising the companies Aumann Espelkamp GmbH and Aumann Immobilien GmbH] (€10,057 thousand), ISL (€4,149 thousand), Gottfried Puhlmann (€3,812 thousand), DTS (€1,180 thousand), Hanke Tissue (€637 thousand), Korupp (€314 thousand) and Hempel (€151 thousand). The Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units are allocated to the Technical Applications segment, the ISL, DTS Gottfried Puhlmann, Korupp and Hempel CGU are allocated to the Service & Infrastructure segment, and the Hanke Tissue CGU is allocated to the Consumer Goods segment.

The impairment test as of December 31, 2022 confirmed the recoverability of capitalized goodwill.

Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units

The recoverable amount of the Aumann Limbach-Oberfrohna CGU is determined based on a value-in-use calculation using cash flow forecasts. The forecasts are based on a medium-term plan approved by management for the years 2023 to 2027. Following the medium-term planning, the calculation is transferred to the perpetual annuity, taking into account a permanent growth rate of unchanged 1.0%. Current and future probabilities, expected economic developments and other circumstances were taken into account in determining the target figures. The cash flow forecasts were discounted using a weighted average cost of capital after taxes (WACC) of 7.8% (previous year: 6.03%). The weighted average cost of capital before taxes amounted to 10.3% (previous year: 8.16%). The total cost of capital was discounted using the risk-free interest rate of 2.0% and a market risk premium of 7.3%. In addition, the beta factor and the weighting of the cost of equity and debt capital were determined on the basis of the capital structure derived from a group of comparable companies.

The recoverable amount of the Aumann EBI CGU is determined based on value-in-use calculation using cash flow forecasts. The forecasts are based on a medium-term plan approved by management for the years 2023 to 2027. Following the medium-term planning, the calculation is transferred to perpetuity, taking into account a permanent growth rate of unchanged 1.0%. Current and future probabilities, expected economic developments and other circumstances were taken into account in determining the planning figures. The cash flow forecasts determined were discounted using a weighted average cost of capital after taxes (WACC) of 7.8% (previous year: 6.03%). The weighted average cost of capital before taxes was 8.4% (previous year: 8.08%). The total cost of capital was discounted using a risk-free interest rate of 2.0% and a market risk premium of 7.3%. In addition, the beta factor and the weighting of the cost of equity and debt capital were determined on the basis of the capital structure derived from a group of comparable companies.

ISL cash-generating unit

The recoverable amount of the ISL CGU is determined based on a value-in-use calculation using cash flow projections. The forecasts are based on a medium-term plan approved by management for the years 2023 to 2027. Following the medium-term planning, the calculation is transferred to perpetuity, taking into account a permanent growth rate of unchanged 1.0%. Current and future probabilities, expected economic developments and other circumstances were taken into account in determining the planning figures. The cash flow forecasts determined were discounted using a weighted average cost of capital after taxes (WACC) of 10.6% (previous year: 5.3%). The weighted average cost of capital before taxes amounted to 14.7% (previous year: 7.0%). The total cost of capital was discounted using a risk-free interest rate of 1.8% and a market risk premium of 7.5%. In addition, the beta factor and the weighting of the cost of equity and debt capital were determined on the basis of the capital structure derived from a group of comparable companies.

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

The calculation of value-in-use for the cash-generating units (CGU), the greatest estimation uncertainties exist with regard to:

- EBITDA margins
- discount rates
- revenue development

EBITDA margins: The EBITDA margins are based on the medium-term planning of the respective cash-generating units. A decrease in the EBITDA margin by 1.0 percentage point would not lead to an impairment loss for any of the CGUs.

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

Revenue development: The forecasted revenue developments are based on past experience and growth assumptions for the target markets of the respective CGUs. The Group recognises that possible new competitors or a changing market environment can have a significant impact on assumptions for revenue development. Such a development could yield a reasonably possible alternative to the estimated development for the cash-generating units. A deviation from the forecast revenue developments by 2 percentage points would not lead to an impairment for the CGUs.

3. Intangible assets

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

The MBB Group's research and development activities mainly consist of order-related projects at Aumann. The research and development expenses incurred in the fiscal year amount to €3,301 thousand (previous year: €1,741 thousand) and are reported in the income statement under own work capitalized.

4. Property, plant and equipment

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

The following table provides an overview of the capitalized right-of-use assets in each asset class as of December 31, 2022:

Right-of-use assets	Dec 31, 2022 €k	Dec 31, 2021 €k
Land and buildings	4,732	5,075
Technical equipment and machinery	6,366	7,197
Other equipment, operating and office equipment	2,934	3,898
Total	**14,033**	**16,171**

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 €5,785 thousand (previous year: €7,326 thousand), €14 thousand of which relates to business combinations (previous year: €3,055 thousand). Disposals of rights-of-use in the 2022 financial year amounted to €791 thousand (previous year: €534 thousand), of which €27 thousand (previous year: €0 thousand) related to disposals from the consolidated group. Depreciation of rights-of-use amounted to €7,134 thousand in fiscal year 2022 (previous year: €6,718 thousand).

5. Financial assets

Financial assets	Dec 31, 2022 €k	Dec 31, 2021 €k
Long-term securities	66,039	201,309
Joint ventures and associates	17,059	8,900
Other loans	1,184	1,310
Other participations	1	1
Carrying amount as of Dec 31	**84,283**	**211,519**

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

Long-term securities	Dec 31, 2022 €k	Dec 31, 2021 €k
Carrying amount as of Jan 1	**201,309**	**116,005**
Additions during the period	33,911	67,950
Disposals during the period	-118,034	-16,287
Revaluation	-51,146	33,640
Carrying amount as of Dec 31	**66,039**	**201,309**

Joint ventures and associates	Dec 31, 2022 €k	Dec 31, 2021 €k
Carrying amount as of Jan 1	**8,900**	**8,715**
Additions to scope of consolidation	0	84
Share in net income	17,922	7,498
Depreciation of hidden reserves	-768	-2,714
Distributions	-8,996	-4,359
Additions and disposals during the period	2	-325
Carrying amount as of Dec 31	**17,059**	**8,900**

Disclosures on consortiums

In the Group, consortiums are classified as joint ventures and their results are reported under Income from joint ventures and associates. The table below shows the ten biggest consortiums in terms of performance for the 2022 financial year.

Consortiums	Ownership interest in %
(BPI) Joint Venture ENERGINET Funen (Baltic Pipe)	33.33
(442) ARGE EGL 442	58.00
(ELB) Dach-ARGE Elbchaussee 1. BA	36.00
(FEH) Dach-ARGE Fehlstellensanierung	50.00
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00
(RTL) Dach-ARGE RV Ruhrtalleitung BA 2+3	45.00
(ZVR) Dach-ARGE Zollvereinring	66.66
(WWO) ARGE ETL 178 Walle - Wolfsburg	50.00
(KOR) Dach-ARGE KoRü BAB 14 FGL 064/110/302	66.66
(BRU) ARGE LNG Brunsbüttel	50.00

The financial information for these working groups for the 2022 financial year is presented at 100%.

Consortium	Revenue €k	Non-current assets €k	Current assets €k	thereof liquid funds €k	Non-current liabilities €k	Current liabilities €k
(BPI)	98,487	261	10,571	2,992	0	4,705
(442)	34,387	46	176,105	7,648	0	157,580
(ELB)	11,951	0	2,169	1,101	0	2,173
(FEH)	6,925	0	3,386	1	0	3,387
(GAZ)	6,874	0	153,183	55	0	153,609
(RTL)	6,716	0	446	233	0	446
(ZVR)	6,196	0	14,128	0	0	14,130
(WWO)	6,190	0	25,898	727	0	15,976
(KOR)	6,159	0	1,713	9	0	1,713
(BRU)	5,835	0	20,747	8,535	0	19,867

Disclosures on cumulative losses from associates

In the period under review all pro rata losses from associates have been recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income

The financial assets of the MBB Group recognized at fair value through other comprehensive income comprise physical gold reserves and securities. The value of the physical gold reserves was €4,394 thousand (previous year: €4,153 thousand). The increase is due in full to fair value measurement as of December 31, 2022.

Of the securities, shares and bonds recognized at fair value through other comprehensive income totalling €145,878 thousand (previous year: €201,574 thousand), €66,039 thousand (previous year: €201,309 thousand) were reported under non-current assets and €79,839 thousand (previous year: €266 thousand) were reported under current assets. For expected credit losses on debt instruments (bonds), impairment losses of €119 thousand (previous year: €0 thousand) were recognized under depreciation and amortization.

6. Inventories

Inventories	Dec 31, 2022 €k	Dec 31, 2021 €k
Raw materials and supplies	26,867	20,890
Work in progress	9,851	8,399
Finished goods and commodities	10,241	11,210
Advance payments	18,068	5,497
Carrying amount as of Dec 31	**65,027**	**45,996**

Inventories include impairment losses of €1,373 thousand as of the balance sheet date (previous year: €1,953 thousand). Impairment loss reversals on inventories were included in the amount of €13 thousand (previous year: €438 thousand).

7. Trade receivables

	Dec 31, 2022 €k	Dec 31, 2021 €k
Trade receivables	70,535	54,909
Receivables from consortiums	1,313	7,714
Less specific valuation allowances	-6,342	-4,132
Less expected credit loss	-37	-44
Carrying amount as of Dec 31	**65,469**	**58,447**

The trade receivables are all due within one year. Receivables are written down on an individual basis if there are indications of default risks. Indications of impairment include failure to receive payments and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk. The specific valuation allowances are mainly attributable to the offsetting of receivables of Friedrich Vorwerk from those consortiums that had generated negative cumulative earnings as at the balance sheet date.

8. Contract assets and contract liabilities

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

	Dec 31, 2022 €k	Dec 31, 2021 €k
Gross contract assets	448,570	380,548
advance payments received thereon	-286,740	-261,380
Contract assets	**161,830**	**119,168**
Contract liabilities	48,783	34,421

Revenue, which was included in the balance of contract liabilities at the beginning of the period, amounted to €34,421 thousand in fiscal year 2022.

9. Other current assets

Other assets maturing within one year break down as follows:

	Dec 31, 2022 €k	Dec 31, 2021 €k
Factoring receivables	2,021	2,405
Prepaid expenses	1,580	3,892
Receivables due from personnel	1,295	2,459
Interest receivables	764	0
Receivables from other taxes	560	2,322
Other current assets	3,566	3,387
Carrying amount as of Dec 31	**9,785**	**14,466**

Tax receivables consist of input tax refunds of €560 thousand (previous year: €2,322 thousand). Receivables due from employees are essentially for employee loans.

10. Income tax

10.1 Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as of December 31, 2022 and December 31, 2021.

	Dec 31, 2022 €k	Dec 31, 2021 €k
Deferred tax assets	14,314	17,691
Deferred tax liabilities	26,835	24,067
Net	**-12,522**	**-6,376**

	Dec 31, 2022 €k	Dec 31, 2021 €k
Temporary differences from:		
Intangible assets	6,821	6,790
Liabilities	4,444	6,020
Pension provisions	3,144	4,846
Unused tax losses	2,967	2,196
Provisions	1,598	2,860
Special economic zone tax benefits	1,390	1,994
Property, plant and equipment	1,334	1,101
Receivables	648	802
Other current assets	126	133
Inventories	34	41
Securities	1	5
Others	1	32
Netting	-8,194	-9,129
Deferred tax assets	**14,314**	**17,691**

	Dec 31, 2022 €k	Dec 31, 2021 €k
Temporary differences from:		
Receivables	15,865	16,299
Property, plant and equipment	6,779	8,369
Financial assets	5,186	2,936
Intangible assets	4,367	5,245
Pension provisions	1,203	53
Inventories	1,177	185
Provisions	179	79
Securities	158	0
Liabilities	3	0
Others	112	30
Netting	-8,194	-9,129
Deferred tax liabilities	**26,835**	**24,067**

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

10.2 Current income tax

Income tax assets and income tax liabilities are as follows:

	Dec 31, 2022 €k	Dec 31, 2021 €k
Corporate income tax	10,931	6,309
Trade income tax	1,088	1,772
Other income tax	307	1,534
Income tax receivables	**12,326**	**9,615**
Corporate income tax	6,804	7,012
Trade income tax	7,012	5,927
Income tax liabilities	**13,816**	**12,939**

11. Equity

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

11.1 Issued capital

MBB SE's issued capital amounts to €5,940,751.00 as of December 31, 2022 and is fully paid in. It is divided into 5,940,751 no-par value bearer shares.

Purchase of treasury shares

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

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

On June 1, 2021, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from June 14, 2021 to December 31, 2021, MBB SE acquired 85,416 treasury shares of the company via the stock exchange with a total value of €11,348,586.22.

On February 21, 2022, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on May 28, 2019. In the period from February 23, 2022 to April 30, 2022, MBB SE acquired 42,640 treasury shares of the company via the stock exchange with a total value of €5,207,479.45.

Authorized capital and contigent capital

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

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

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until June 30, 2025. As of the balance sheet date, 230,000 subscription rights had been issued. For details, please refer to note "3. Remuneration of the executive bodies" in section "VIII. Other mandatory information".

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

The individual shareholdings of MBB SE are as follows:

	Dec 31, 2022		Dec 31, 2021	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH[1]	2,003,193	33.720%	1,995,881	33.596%
MBB Capital GmbH[2]	1,900,613	31.993%	1,900,613	31.993%
Anton Breitkopf	45,000	0.757%	45,000	0.757%
Dr Peter Niggemann	38,534	0.649%	38,534	0.649%
Dr Constantin Mang	7,200	0.121%	5,680	0.096%
Dr Jakob Ammer	1,588	0.027%	1,488	0.025%
Torben Teichler	1,550	0.026%	1,550	0.026%
Treasury shares	136,554	2.299%	93,914	1.581%
Others	1,806,519	30.409%	1,858,091	31.277%
Total	**5,940,751**	**100.00%**	**5,940,751**	**100.00%**

1 100% of the shares in MBB Capital Management GmbH are held by Dr Christof Nesemeier.

2 100% of the shares in MBB Capital GmbH are held by Gert-Maria Freimut.

11.2 Capital reserve

The capital reserve amounts to €475.2 million (previous year: €479.1 million).

The additional paid-in capital comprises

- the premium received by the Company from the initial share issue in 2006
- Premiums and transaction costs arising from initial public offerings of subsidiaries
- Effects of share repurchases and retirement from capital reductions
- Effects from accounting for share-based payments.

In the reporting period capital reserve increased due to the stock option programs of MBB SE and Aumann AG by €1,132 thousand.

The capital reserve was reduced by the acquisition of treasury shares in 2022. The difference between the acquisition cost and the nominal value of the treasury shares acquired in the amount of €5,165 thousand was offset against the capital reserves.

11.3 Legal reserve

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

11.4 Retained earnings and other comprehensive income

Currency translation difference

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

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

Fair value reserve

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

Reserve for pensions

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

Other reserve

MBB SE acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH, Bochum, through DTS IT AG on February 19, 2019. Put and call options were mutually agreed for the remaining 34% of the shares as part of the transaction. A financial liability was recognized for the put option and deducted from equity. An amount of €-2,090 thousand was added to other reserves after taking deferred tax effects into account. After consideration of non-controlling interests other reserves amount to €-1,672 thousand.

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

Retained earnings

This item contains the profits generated by the Group less distributed profits. Retained earnings decreased in total by €2,990 thousand in the financial year. Thus, a dividend of €11,492 thousand (€1.98 per share) was paid to the shareholders of MBB SE.

Furthermore, the consolidated net income of €11,764 thousand increased the retained earnings.

The further decrease in retained earnings of €3,463 thousand is attributable to the changes in shareholdings in subsidiaries described in section I.1.4 (Company law changes and structural changes in 2022).

The Board and the Executive Management propose that the net retained profits of MBB SE initially be carried forward to new account and that a possible distribution of profits be discussed again in good time before the Annual General Meeting.

11.5 Non-controlling interests

Non-controlling interests in the MBB Group result from the equity investments in Aumann AG, Delignit AG, DTS IT AG, Friedrich Vorwerk Group SE and Hanke Tissue Sp. z o.o. The non-controlling interests decreased by €371 thousand in the financial year.

Essiantially, the share of total comprehensive income attributable to non-controlling interests of €12,572 thousand increased the non-controlling interests. This was offset by the changes in shareholdings in subsidiaries of €9,191 thousand described in section I.1.4 (Company law changes and structural changes in 2022) as well as by distributions of €3,554 thousand to non-controlling interests.

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

12. Provisions for pensions and similar obligations

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

	Dec 31, 2022 €k	Dec 31, 2021 €k
Pension provisions at beginning of the financial year	**28,710**	**28,612**
Addition through company acquisition	0	2,343
Utilization	-889	-851
Addition to provisions (service cost)	390	431
Addition to provisions (interest cost)	256	144
Actuarial gains (-) /losses (+)	-9,432	-1,969
Pension provisions at end of the financial year	**19,035**	**28,710**
- Plan assets	420	455
Pension provision recognized in the balance sheet	**18,615**	**28,255**

Of the actuarial gains, €-7 thousand resulted from experience adjustments and €-9.425 thousand from actuarial adjustments.

The following actuarial assumptions were applied:

	2022	2021
Actuarial interest rate	3.12 - 3.80%	0.50 - 1.10%
Salary trend	0.00 - 2.00%	0.00 - 2.00%
Pension trend	1.00 - 2.00%	1.00 - 2.00%

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

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

	Dec 31, 2022 €k	Dec 31, 2021 €k
Addition to provisions (service cost)	-390	-431
Addition to provisions (interest cost)	-256	-144
Total	**-646**	**-575**

The expected pension payments from the pension plans for 2023 amount to €1,069 thousand.

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

		Impact on obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	0.25%	-3.8%	+3.6%
Pension growth rate	0.50%	+2.0%	-2.2%
Life expectancy	+ 1 year	+4.4%	-

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

13. Liabilities

The liabilities mature as follows:

Dec 31, 2022	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	18,759	24,811	5,585	49,155
Lease liabilities	8,136	9,657	827	18,620
Liabilities from participation rights	0	0	10,213	10,213
Trade payables	66,571	0	0	66,571
Contract liabilities	48,783	0	0	48,783
Liabilities to non-controlling interests	2,534	0	2,231	4,765
Other liabilities	38,423	2,970	0	41,393
Accruals	35,673	0	0	35,673
As of Dec 31, 2022	**218,880**	**37,438**	**18,856**	**275,174**

Dec 31, 2021	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	25,437	32,085	8,478	66,000
Lease liabilities	8,452	13,130	358	21,939
Liabilities from participation rights	0	0	10,213	10,213
Trade payables	53,364	0	0	53,364
Contract liabilities	34,421	0	0	34,421
Liabilities to non-controlling interests	4,997	0	1,304	6,301
Other liabilities	30,737	4,665	446	35,847
Accruals	23,634	0	0	23,634
As of Dec 31, 2021	**181,042**	**49,880**	**20,799**	**251,720**

Liabilities to banks that cover investment and operating loans have both fixed and floating interest rates of between 0.65% and 7.03% (previous year: 0.55% and 5.60%). The weighted average interest rate for 2022 is 1.69% (previous year: 1.65%).

Land and buildings, technical equipment and machinery as well as inventories were pledged as collateral. The carrying amount of the pledged assets was €70,564 thousand (previous year: €70,222 thousand) as of the end of the reporting period, €58,884 thousand of which relates to property, plant and equipment (previous year: €59,501 thousand) and €11,680 thousand of which to inventories (previous year: €10,721 thousand).

As of the end of the reporting period, there is profit participation capital of €10,213 thousand in total (previous year: €10,213 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the sub-group earnings of the Friedrich Vorwerk Group in the form of floating-rate interest. The total return on profit participation rights in the reporting year was 3.5% (previous year: 4.2%). The profit participation rights can be cancelled for the first time effective December 31, 2039.

Non-controlling interests in partnerships relate exclusively to Friedrich Vorwerk SE & Co. KG. Liabilities to non-controlling interests comprise earnings attributable to non-controlling interests. The withdrawable entitlements are presented as short term.

14. Other liabilities

Other liabilities break down as follows:

	Dec 31, 2022 €k	Dec 31, 2021 €k
Current		
Consortiums	14,695	3,296
Value added tax	7,598	12,072
Wage tax	2,765	3,111
Wages and salaries	2,057	1,925
Debtors with credit balances	1,970	1,394
Social security benefits	1,646	1,330
Deferred income	1,640	1,449
Associates	183	183
Commissions	26	132
Capital gains tax	0	781
Derivative financial instruments	0	16
Miscellaneous	5,842	5,047
	38,422	**30,737**
Non-current		
Investment grant received	1,369	898
Contingent considerations from put options	901	3,366
Support funds	92	92
Other deferred income	609	755
	2,970	**5,111**
Total	**41,393**	**35,847**

In conjunction with the acquisition of 66% of the shares in ISL Internet Sicherheitslösungen GmbH, Bochum, by DTS IT AG, Herford, on February 19, 2019 it was agreed that the original shareholders will have a put option to tender their remaining shares (34%) to DTS IT AG. At the same time, DTS IT AG has a call option to acquire their shares. The call and put options are designed identically. The option can be exercised from January 1, 2025 at the earliest. The exercise price is based on ISL's average EBIT. A financial liability was recognized for the put option at fair value through profit or loss. When calculating the financial liability, it was assumed that the option will be exercised at the earliest possible date. The liability from put option is value at €901 thousand (previous year: €3,366 thousand) and presented under other liabilites.

15. Provisions and accruals

The following table shows the development of provisions and accruals during the financial year.

The non-current bonus provisions mainly include the expected expense for the tax settlement from the stock option programs of MBB SE and Aumann AG totaling €2,398 thousand.

The provisions for project completion costs relate to projects of Aumann and Friedrich Vorwerk that have already been completed and finally invoiced, but which are still subject to costs of follow-up work and fault remediation.

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

in € thousand	Dec 31, 2021	Reclassification	Initial consolidation	Use	Release	Additions	Currency effect	Deconsolidation	Dec 31, 2022
Long-term provisions									
Bonus program	1,313	0	0	0	-2	1,087	0	0	2,398
Partial retirement	862	0	0	-300	0	485	0	0	1,047
Anniversaries	260	0	0	-30	0	22	0	-1	251
Death grants	12	0	0	0	0	1	0	0	13
	2,447	**0**	**0**	**-330**	**-2**	**1,595**	**0**	**-1**	**3,709**
Accruals and short-term provisions									
Outstanding invoices	10,737	180	0	-9,355	0	19,883	3	-283	21,164
Vacation	5,592	0	154	-4,103	-242	6,054	-4	-38	7,414
Project completion costs	5,570	0	0	-4,717	0	3,597	-15	0	4,435
Guarantees and warranties	4,269	0	0	-854	-1,000	1,199	-2	0	3,613
Variable salary and commissions	6,632	0	46	-5,345	-727	2,563	0	-5	3,164
Flexitime	2,987	0	18	-835	0	949	0	-25	3,094
Onerous and unfavourable contracts	6,031	0	3,014	-6,570	0	21	0	0	2,496
Employers' liability insurance association	431	0	0	-340	-91	744	0	-6	738
Accounting and audit costs	935	0	0	-780	-71	603	0	-36	651
Staff costs	1,013	0	0	-896	-3	519	0	-12	621
Legal disputes and damage compensation	279	0	0	-65	-7	46	0	0	252
Bonus program	796	0	0	-725	0	0	0	0	70
Reduction in earnings	40	0	0	-31	0	45	0	0	54
Restructuring	215	0	0	-215	0	0	0	0	0
Other	2,520	-180	4	-230	-1,337	1,203	0	-222	1,759
	48,048	**0**	**3,236**	**-35,063**	**-3,478**	**37,427**	**-18**	**-627**	**49,525**
Total	**50,495**	**0**	**3,236**	**-35,393**	**-3,480**	**39,022**	**-18**	**-628**	**53,234**

in € thousand	Dec 31, 2020	Reclassification	Initial consolidation	Use	Release	Additions	Currency-related effects	Dec 31, 2021
Long-term provisions								
Bonus program	318	0	0	0	0	996	0	1,313
Partial retirement	861	0	0	-578	-1	579	0	862
Anniversaries	276	0	0	-140	0	124	0	260
Death grants	13	0	0	-13	0	11	0	12
	1,468	**0**	**0**	**-731**	**-1**	**1,711**	**0**	**2,447**
Accruals and short-term provisions								
Outstanding invoices	14,550	-156	250	-13,132	-536	9,756	5	10,737
Variable salary and commissions	2,446	-725	0	-1,272	-353	6,535	0	6,632
Onerous and unfavourable contracts	2,104	0	0	-1,428	0	5,320	34	6,031
Vacation	5,352	0	477	-5,119	-69	4,954	-2	5,592
Project completion costs	9,844	0	0	-9,078	0	4,682	122	5,570
Guarantees and warranties	4,615	0	262	-1,331	-847	1,554	17	4,269
Flexitime	3,093	0	0	-2,844	0	2,738	0	2,987
Staff costs	590	0	0	-317	-50	790	0	1,013
Accounting and audit costs	947	0	47	-710	-181	833	0	935
Bonus program	40	0	0	0	0	756	0	796
Employers' liability insurance association	643	-336	52	-289	-118	479	0	431
Legal disputes and damage compensation	1,561	-1,026	232	-339	-105	-45	0	279
Restructuring	7,517	0	0	-2,606	-4,696	0	0	215
Reduction in earnings	66	0	0	-51	0	26	0	40
Other	408	2,243	535	-1,128	-362	825	0	2,520
	53,777	**0**	**1,855**	**-39,644**	**-7,317**	**39,203**	**176**	**48,048**
Total	**55,245**	**0**	**1,855**	**-40,375**	**-7,318**	**40,913**	**176**	**50,495**

16. Leases

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

Lease liabilities by asset type	Dec 31, 2022 €k	Dec 31, 2021 €k
Land and buildings	4,795	5,136
Technical equipment and machinery	6,423	7,232
Other equipment, operating and office equipment	2,954	3,922
Total	**14,172**	**16,289**

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

Lease liabilities by maturity	Dec 31, 2022 €k	Dec 31, 2021 €k
Long-term	10,484	13,488
Short-term	8,136	8,452
Total	**18,620**	**21,939**

The following amounts were recognized in the consolidated statement of comprehensive income in connection with leases in 2022 and 2021 financial year:

Amounts recognized in the consolidated statement of comprehensive income	2022 €k	2021 €k
Depreciation and amortization expense	8,839	8,180
therof buildings	1,768	1,600
thereof technical equipment and machinery	4,521	4,024
thereof other equipment, operating and office equipment	2,550	2,556
Interest expense	343	267
Expenses for short-term leases	10,293	6,249
Expenses for low-value leasing objects	114	944
Total	**19,589**	**15,640**

The cash outflows for leases (including payments for short-term and low-value leases) amount to €20,144 thousand in total in the 2022 financial year (previous year: €17,879 thousand).

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €896.5 million in the 2022 financial year (previous year: €680.3 million). Revenue of €562.8 million (previous year: €416.9 million) relates to contracts with customers recognized over time.

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

2. Income from joint ventures and associates

	2022 €k	2021 €k
Income from joint ventures and associates recognized in financial assets	17,922	7,498
Income from joint ventures and associates recognized in receivables and liabilities	-1,865	-2,376
Total	**16,057**	**5,122**

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

3. Other operating income

	2022 €k	2021 €k
Own work capitalized	4,760	2,688
Reversal of provisions	3,480	7,317
Sale of non-current assets	3,185	546
Securities	2,626	5,059
Settlement of benefits in kind	2,522	2,326
Exchange rate gains	1,304	781
Rentals and leases	1,172	1,181
Refunds	769	1,041
Insurance and damage compensation	343	311
Reversal of valuation allowances on receivables	212	319
Subsidies and investment grants	160	403
Relating to former periods	137	82
Dividend income	0	23
Other	2,408	2,186
Total	**23,077**	**24,263**

Income from sale of non-current assets includes the gain on the sale of an unused piece of land and building in the amount of €1,687 thousand. In the half-year financial report 2022, these assets were presented under Assets held for sale.

The income from refunds and the income from subsidies and investment grants include grants related to income of €859 thousand (previous year: €745 thousand). They include reimbursements of social security contributions during short-time work in Germany in connection with the COVID-19 pandemic in the amount of €50 thousand (previous year: €227 thousand) and grants related to income in particular in the form of reimbursements in connection with other taxes and wages as well as public subsidies. There are no unfulfilled conditions or other contingencies associated with the grants.

4. Other operating expenses

	2022 €k	2021 €k
Maintenance expenses	-15,650	-14,089
Rental agreements and leasing	-10,512	-8,328
Travel costs/vehicle costs	-6,398	-5,811
Loss from deconsolidation	-3,412	0
Legal and consulting	-3,351	-3,741
Other services	-2,893	-3,078
Insurance	-2,748	-2,606
IT and license expenses	-1,869	-1,311
Contributions and fees	-1,855	-1,337
Other personnel-related expenses	-1,764	-1,017
Advertising costs	-1,384	-713
Costs for telephone, post and data communication	-1,361	-1,344
Costs for training and apprenticeship	-1,267	-1,206
Write-offs and bad debt allowances on receivables	-1,153	-1,045
Expenses from the disposal of non-current assets	-1,121	-110
Foreign currency losses	-969	-233
Incidental costs for monetary transactions	-641	-535
Office supplies	-629	-553
Expenses from security transactions	-362	-99
Previous period expenses	-85	-131
Miscellaneous operating expenses	-5,493	-4,980
Total	**-64,917**	**-52,265**

5. Depreciation and amortization expense

	2022 €k	2021 €k
Depreciation and amortization on intangible assets and property, plant and equipment	-42,519	-35,635
Release of revaluation reserves on joint ventures and associates	-768	-1,219
Expected credit losses on financial instruments	-119	0
Impairment losses on property, plant and equipment	0	-40
Total	**-43,407**	**-36,894**

6. Finance income

	2022 €k	2021 €k
Income from valuation of financial liabilities	2,491	0
Interest and similar income from securities transactions	721	15
Other interest and similar income	686	97
Total	**3,898**	**112**

7. Finance costs

	2022 €k	2021 €k
Bank interest	-1,943	-1,859
Bank guarantee commissions	-356	-334
Interest expense from pensions	-256	-144
Interest expense from leases	-343	-267
Other interest and similar expenses	-651	-359
Total	**-3,550**	**-2,963**

8. Taxes

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

The reconciliation of income tax expense and the net profit multiplied by the Group's applicable tax rate for the 2022 and 2021 financial years is as follows:

	2022 €k	2021 €k
Trade income tax	-7,472	-8,069
Corporate income tax	-5,601	-7,032
Deferred taxes	-4,790	4,397
Total	**-17,862**	**-10,704**

	2022 €k	2021 €k
Earnings before taxes (EBT)	42,906	12,975
Other taxes	-889	-1,222
Consolidated net profit before income taxes and non-controlling interests	**42,017**	**11,753**
Income taxes	-17,862	-10,704
Current income tax rate	**42.5%**	**91.1%**

	2022 €k	2021 €k
Earnings before taxes (EBT)	42,906	12,975
Other taxes	-889	-1,222
Consolidated net profit before income taxes and non-controlling interests	**42,017**	**11,753**
Applicable (statutory) tax rate	30.0%	30.0%
Expected income tax expense	**12,605**	**3,526**
Effects due to the change in unrecognized loss carryforwards	1,992	2,226
Effect from expenses not deductible for tax purposes	1,165	2,045
Tax effect from IPO of Friedrich Vorwerk Group SE	0	3,111
Effects from tax-exempt income	-18	-914
Taxes relating to other periods	1,898	-149
Effects due to deviations from the expected income tax rate	5	-5
Other tax effects	215	864
Current income tax expense	**17,862**	**10,704**

9. Earnings per share

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

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

The only dilutive effect in the 2022 financial year arose from the 2020 stock option program of MBB SE. For the calculation of diluted earnings per share, the staff costs incurred in the financial year in connection with MBB SE's stock option program 2020 were adjusted in the amount of €1,462.7 thousand (previous year: €1,657.9 thousand). In addition, 230,000 (previous year: 230,000) option rights issued were included in the weighted average number of ordinary shares.

	2022	2021
Profit attributable to holders of ordinary shares of the parent before adjustments (in € thousand)	11,764	-11,570
Weighted average number of ordinary shares used to calculate earnings per share (in thousand)	5,814	5,912
Earnings per ordinary share (in €) - basic	**2.02**	**-1.96**
Profit attributable to holders of ordinary shares of the parent after adjustments (in € thousand)	13,226	-9,912
Weighted average number of ordinary shares used to calculate earnings per share - after diluting effects (in thousand)	6,044	6,142
Earnings per ordinary share (in €) - diluted	**2.19**	**-1.61**

10. Other comprehensive income

The IFRS total comprehensive income of the MBB Group of €-6,676 thousand (previous year: €44,991 thousand) comprises earnings after taxes of €24,154 thousand (previous year: €1,049 thousand) and Other comprehensive income of €-30,830 thousand (previous year: €43,942 thousand). Other comprehensive income includes losses from the measurement of stock portfolio at fair value of €-34,652 thousand (previous year: €41,966 thousand) and the measurement of bonds and gold of €-2,299 thousand (previous year: €270 thousand) enthalten. Of this amount, losses of €-29,413 thousand (previous year: gain of €34,563 thousand) from the measurement of stock portfolio and losses of €-2,302 thousand (previous year: gain of €259 thousand) from the measurement of bonds and gold are attributable to MBB SE.

IV. Segment reporting

1. Information by segment

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

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

Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of Aumann and Delignit. The earnings figures also include the figures for OBO until it leaves the scope of consolidation on November 24, 2022.

Consumer Goods

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

Service & Infrastructure

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

Segment results

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

Segment figures	2022	2021	Δ 2022 / 2021	
	€k	€k	€k	€k
Service & Infrastructure				
Revenue	**477,192**	**359,290**	**117,902**	**32.8%**
EBITDA (adjusted)	**66,699**	**68,286**	**-1,587**	**-2.3%**
Segment assets	273,837	201,724	72,113	35.7%
Segment liabilities	100,246	90,349	9,897	11.0%
Technological Applications				
Revenue	**313,057**	**249,762**	**63,295**	**25.3%**
EBITDA (adjusted)	**16,231**	**3,756**	**12,475**	**332.1%**
Segment assets	226,923	239,929	-13,006	-5.4%
Segment liabilities	117,253	104,542	12,711	12.2%
Consumer Goods				
Revenue	**106,779**	**71,934**	**34,845**	**48.4%**
EBITDA (adjusted)	**10,102**	**5,713**	**4,389**	**76.8%**
Segment assets	60,447	53,059	7,388	13.9%
Segment liabilities	20,564	13,352	7,212	54.0%
Reconciliation				
Revenue intersegment Technological Applications	0	0	0	0.0%
Revenue intersegment Consumer Goods	-92	-102	11	-10.5%
Revenue intersegment Service & Infrastructure	-484	-554	71	-12.8%
Revenue	**-575**	**-657**	**81**	**-12.4%**
EBITDA (adjusted)	**134**	**1,819**	**-1,686**	**-92.6%**
Group				
Third party revenue Service & Infrastructure	476,708	358,736	117,972	32.9%
Third party revenue Technological Applications	313,057	249,762	63,295	25.3%
Third party revenue Consumer Goods	106,688	71,832	34,856	48.5%
Revenue	**896,453**	**680,329**	**216,124**	**31.8%**
EBITDA (adjusted)	**93,166**	**79,574**	**13,591**	**17.1%**

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

Reconciliation of EBITDA to consolidated net profit	2022	2021
	€k	€k
Total EBITDA (adjusted) of the segments	**93,032**	**77,755**
Adjustments of EBITDA	-5,188	-23,677
Reconciliation to Group EBITDA	134	1,819
Group EBITDA	**87,978**	**55,897**
Depreciation and amortization expense	-43,407	-36,894
Net finance costs	-1,665	-6,028
Earnings before taxes (EBT)	**42,906**	**12,975**
Income tax expense	-17,862	-10,704
Other taxes	-889	-1,222
Earnings after taxes	**24,154**	**1,049**
Non-controlling interests	-12,391	-12,619
Consolidated net profit	**11,764**	**-11,570**

Reconciliation of segment assets to assets of the group	2022 €k	2021 €k
Service & Infrastructure segment	273,837	201,724
Technological Applications segment	226,923	239,929
Consumer Goods segment	60,447	53,059
Total segment assets	**561,207**	**494,713**
Deferred tax assets	14,314	17,691
Cash in hand, bank balances and short-term financial assets	447,260	421,246
Financial assets	84,283	211,519
Other assets	14,464	7,152
Total assets	**1,121,527**	**1,152,320**

Reconciliation of segment liabilities to equity and liabilities of the group	2022 €k	2021 €k
Service & Infrastructure segment	100,246	90,349
Technological Applications segment	117,253	104,542
Consumer Goods segment	20,564	13,352
Total segment liabilities	**238,063**	**208,243**
Equity	769,527	808,479
Deferred tax liabilities	26,835	24,067
Current tax liabilities	13,816	12,939
Liabilities to banks	49,155	66,000
Lease liabilities	18,620	21,939
Other equity and liabilities	5,512	10,653
Total equity and liabilities	**1,121,527**	**1,152,320**

In the 2022 financial year, the "Adjustments of EBITDA" mainly comprise losses in connection with the deconsolidation of OBO-Werke GmbH of €3,412 thousand, personnel expenses of €2,213 thousand (previous year: €2.0 million) from stock option programs at MBB SE and Aumann AG and, with an offsetting effect, other income of €438 thousand resulting from the sale of property, plant and equipment at Aumann, which was written off and adjusted in the previous year as part of the restructuring project. In the same period of the previous year, adjustments were mainly made for non-recurring personnel expenses of €20.0 million and other costs of €1.1 million, both of which were incurred in the course of the IPO of Friedrich Vorwerk Group SE.

The “Reconciliation to Group EBITDA” includes consolidation effects between the segments and the holding company's income and expenses that are not based on transactions with subsidiaries. In particular, this includes income and expenses from securities and remuneration of holding company personnel.

2. Information by region

2.1 Revenue from external customers

	2022 €k	2021 €k
Germany	659,034	480,122
Europe	189,325	155,263
China	15,293	13,830
USMCA[1]	25,335	23,148
Miscellaneous	7,465	7,965
Total	**896,453**	**680,329**

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

2.2 Non-current assets

The MBB Group's non-current assets are predominantly located in Europe. The non-current assets of our subsidiaries in China and the US amount to €237 thousand (previous year: €427 thousand).

3. Information on main customers

No single customer contributed more than 10% of consolidated revenue in the 2022 and 2021 financial years.

V. Notes to the consolidated statement of cash flows

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

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

	Non-current liabilities to banks	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Other loans	Total
	€k	€k	€k	€k	€k	€k
Balance sheet as of Jan 1, 2021	**37,441**	**17,495**	**13,213**	**9,449**	**2,812**	
Proceeds	12,200	11,433	0	0	0	23,633
Repayments	-5,262	-9,483	-583	-9,837	0	-25,165
Cash-effective changes	**6,938**	**1,950**	**-583**	**-9,837**	**0**	**-1,532**
Changes in exchange rates	-19	-64	-5	0	0	-88
Reclassifications	-4,932	4,932	-5,109	5,109	0	0
Changes in the scope of consolidation	1,136	1,315	3,752	802	0	7,004
New leases	0	0	2,546	3,146	0	5,692
Derecognitions	0	0	-326	-218	0	-544
Accrued interest	0	-189	0	0	0	-189
Non-cash changes	**-3,815**	**5,993**	**858**	**8,839**	**0**	**11,874**
Balance sheet as of Dec 31, 2021	**40,563**	**25,437**	**13,488**	**8,452**	**2,812**	
Balance sheet as of Jan 1, 2022	**40,563**	**25,437**	**13,488**	**8,452**	**2,812**	
Proceeds	0	12,314	982	0	0	13,296
Repayments	-4,727	-19,319	-548	-8,846	-2,812	-36,251
Cash-effective changes	**-4,727**	**-7,005**	**435**	**-8,846**	**-2,812**	**-22,955**
Changes in exchange rates	-38	-153	-19	-20	0	-229
Reclassifications	-4,465	4,465	-6,133	6,133	0	0
Changes in the scope of consolidation	-938	-3,999	-6	3	0	-4,939
New leases	0	0	2,735	3,180	0	5,915
Derecognitions	0	0	-16	-766	0	-782
Accrued interest	0	14	0	0	0	14
Non-cash changes	**-5,440**	**327**	**-3,439**	**8,530**	**0**	**-22**
Balance sheet as of Dec 31, 2022	**30,396**	**18,759**	**10,484**	**8,136**	**0**	

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*	Dec 31, 2022 Carrying amount	Fair value
Assets			
Long-term securities	FVTOCI	66,039	66,039
Trade receivables	AC	65,469	n/a
Securities (debt instruments)	FVTOCI	79,839	79,839
Derivatives without hedge relationship	FVTPL	321	321
Cash in hand, bank balances	AC	362,706	n/a
Liabilities			
Liabilities to banks	FLaC	49,155	47,265
Liabilities from participation rights	FLaC	10,213	13,607
Trade payables	FLaC	66,571	n/a
Liabilities to non-controlling interests	FLaC	4,765	n/a
Contingent considerations from put options	FVTPL	901	901
Derivatives without hedge relationship	FVTPL	0	0
Other financial liabilities	FLaC	14,879	n/a
Aggregated according to categorie			
Assets	AC	428,176	n/a
	FVTOCI	145,878	145,878
	FVTPL	321	321
Liabilities	FLaC	145,583	n/a
	FVTPL	901	901

€k	Classification according to IFRS 9*	Dec 31, 2021 Carrying amount	Fair value
Assets			
Long-term securities	FVTOCI	201,309	201,309
Trade receivables	AC	58,447	n/a
Securities (debt instruments)	FVTOCI	266	266
Derivatives without hedge relationship	FVTPL	52	52
Cash in hand, bank balances	AC	416,775	n/a
Liabilities			
Liabilities to banks	FLaC	66,000	67,849
Liabilities from participation rights	FLaC	10,213	17,451
Trade payables	FLaC	53,364	n/a
Liabilities to non-controlling interests	FLaC	6,301	n/a
Contingent considerations from put options	FVTPL	3,366	3,366
Derivatives without hedge relationship	FVTPL	16	16
Other financial liabilities	FLaC	3,479	n/a
Aggregated according to categorie			
Assets	AC	475,222	n/a
	FVTOCI	201,574	201,574
	FVTPL	52	52
Liabilities	FLaC	139,357	n/a
	FVTPL	3,382	3,382

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

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

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

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

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

	Dec 31, 2022			
€k	Level 1	Level 2	Level 3	Total
Assets				
Long-term securities	66,039			66,039
Securities (debt instruments)	79,839			79,839
Total	**145,878**			**145,878**
Liabilities				
Contingent considerations from put options			901	901
Total			**901**	**901**

	Dec 31, 2021			
€k	Level 1	Level 2	Level 3	Total
Assets				
Long-term securities	201,309			201,309
Securities (debt instruments)	266			266
Total	**201,574**			**201,574**
Liabilities				
Contingent considerations from put options			3,366	3,366
Total			**3,366**	**3,366**

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

Contingent considerations from put option result from the acquisition of Internet Sicherheitslösungen GmbH, Bochum, and were recognized for the first time in the financial year 2019. Interest expenses of €26 thousand (previous year: €40 thousand) and income from remeasurement of the contingent consideration of €2,491 thousand (previous year: €372 thousand) were recognized in the financial year due to decrease in fair value.

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

Financial instrument	Valuation technique	Material, unobservable input factors
Securities	The fair value is based on the market price of equity and debt instruments as of December 31, 2022.	not applicable
Contingent considerations from put options	Discounted cash flows based on contractually fixed mechanisms	ISL's performance The fair value of contingent consideration liabilities would decrease if ISL's performance were lower'.

VII. Objectives and methods of financial risk management

1. Financial assets and liabilities

The Group's financial liabilities mainly include current and non-current liabilities to banks, liabilities from profit participation rights, current trade payables and other current and non-current liabilities. The Group's financial assets are essentially cash, securities and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €678,667 thousand in the year under review (previous year: €604,218 thousand). Business relationships are only entered into with creditworthy partners. Trade receivables relate to a number of customers in various industries and regions. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognized for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

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

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

2. Capital risk management

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

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

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

	Dec 31, 2022	Dec 31, 2021
Equity in €k	769,527	808,479
- in % of total capital	68.6%	70.2%
Liabilities in €k	352,000	343,841
- in % of total capital	31.4%	29.8%
Current liabilities in €k	246,546	218,394
- in % of total capital	22.0%	19.0%
Non-current liabilities in €k	105,454	125,447
- in % of total capital	9.4%	10.9%
Net gearing*	-0.6	-0.7

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

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

3. Financial risk management

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

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

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

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

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

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the respec-tive local currency, thereby largely avoiding exchange rate risks. For order-related hedging purposes, Aumann entered into forward exchange contracts with nominal values of USD 1,074 thousand and GBP 525 thousand. The fair value of these forward exchange contracts as of the balance sheet date amounts to €-21 thousand.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The MBB Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Hedging by derivatives (e.g. interest rate swaps or forward interest rate transactions) is carried out in exceptional cases. The Group had unhedged liabilities with floating interest rates in the amount of €11,014 thousand as of the end of the reporting period (previous year: €20,228 thousand). Hedging transactions existed in the form of three interest rate swaps with a nominal volume of €4,366 thousand and two interest rate floors with a nominal volume of €3,750 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 €312 thousand lower (higher).

5. Price risk

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

6. Liquidity risk

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

IFRS 7 also requires a maturity analysis for financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as of December 31, 2022 affect the future liquidity situation of the Group.

Dec 31, 2022 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	49,155	19,566	26,009	5,733
Lease liabilities	18,620	8,527	10,090	826
Liabilities from participation rights	10,213	775	2,863	19,069
Trade payables	66,571	66,571	0	0
Liabilities to non-controlling interests	4,765	2,534	0	2,231
Contingent considerations from put options	901	0	974	0
Other financial liabilities	14,879	14,879	0	0
Total	**165,103**	**112,852**	**39,936**	**27,859**

Dec 31, 2021 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	66,000	26,237	33,573	8,695
Lease liabilities	21,939	8,810	13,558	360
Liabilities from participation rights	10,213	459	2,002	17,388
Trade payables	53,364	53,364	0	0
Liabilities to non-controlling interests	6,301	4,997	0	1,304
Contingent considerations from put options	3,366	0	3,470	0
Other financial liabilities	3,479	3,479	0	0
Total	**164,663**	**97,347**	**52,603**	**27,747**

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

VIII. Other mandatory information

1. Executive bodies

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

Board

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

Dr Christof Nesemeier is the Chairman of the Supervisory Board of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE.

Gert-Maria Freimuth is the Chairman of the Supervisory Board of Aumann AG, Delignit AG and DTS IT AG.

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

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

Executive Management

- Dr Constantin Mang, economist, Chief Executive Officer (CEO)
- Dr Jakob Ammer, business economist, Chief Operating Officer (COO)
- Torben Teichler, business economist, Chief Investment Officer (CIO)
- Dr Christof Nesemeier, business graduate, Executive Chairman

Dr Constantin Mang as CEO (Chief Executive Officer) is responsible for Strategy, Mergers & Acquisitions, Finance, Investor Relations and IT. Dr Jakob Ammer as COO (Chief Operating Officer) is responsible for the development of the investment portfolio and process optimization. As CIO (Chief Investment Officer), Torben Teichler is responsible for Investment, Treasury, Compliance and Legal.

Dr Constantin Mang is also a member of the Supervisory Board of DTS IT AG.

2. Remuneration components

Reference to the remuneration system and long-term corporate development

The remuneration of the Executive Directors and the Board of MBB SE is based on the remuneration system of MBB SE and is thus determined in accordance with the provisions of the German Stock Corporation Act, taking into account the German Corporate Governance Code (GCGC). The structure and appropriateness of the remuneration of the Executive Directors of MBB SE are regularly reviewed by the Board. In this context, the level of remuneration of Executive Directors, managing directors and employees within the MBB Group is also taken into account. Board members are not entitled to vote on decisions concerning the amount of their own remuneration.

The Board focuses on promoting the business strategy and long-term corporate development. In particular, the aim is to increase the value of the company and thus the value for shareholders in the long term. By linking the variable remuneration components to the development of the equity under commercial law, the development of the share price of MBB SE and stock exchange prices of equity securities held, a congruence is established between the interests and expectations of the shareholders and the remuneration of the Executive Directors. The Board has given a correspondingly high weighting to the proportion of multi-year remuneration components, which helps to ensure that the actions of the Executive Directors in the current financial year are also aligned with the long-term development of the company.

Remuneration components of the Executive Directors

The remuneration components of the remuneration system for the Executive Directors of MBB SE comprise:

Fixed remuneration components

- Basic salary
- Fringe benefits

Variable remuneration components

- Annual variable remuneration
- Share-based long-term incentive program with a term of several years (LTIP)

According to the underlying compensation system, MBB SE does not provide for the possibility of reclaiming annual variable compensation components. During the vesting period of the share-based long-term incentive program, any claims that MBB SE may have against employees due to gross breach of duty may be offset against the claims arising from the stock option program.

Basic salary and fringe benefits

The basic salary comprises annually fixed remuneration paid in twelve equal installments monthly in arrears and includes amounts subject to social security contributions, unless the Executive Director is exempt from social security contributions. Non-cash compensation includes the use of a company car.

The Executive Directors are also included in the Group accident insurance and the Groupwide directors and officers liability insurance (D&O insurance).

Annual variable remuneration

The annual variable remuneration of the Executive Directors depends on the increase in equity of MBB SE. The basis of assessment is a percentage of the amount by which the equity of MBB SE at the end of each financial year exceeds the equity at the beginning of the financial year. The equity comprises in each case the items of Section 266 para. 3 A. of the German Commercial Code (HGB). The basis of the calculation are the audited financial statements, whereby the equity is calculated with certain modifications. For example, assets that have a stock market price are recognized at the stock market price and sales of assets in which MBB SE holds more than 5% are only taken into account in defined individual cases.

If the assessment base is negative in one or more financial years, the resulting negative amount is carried forward to the following financial years and offset against the future additional amounts until the negative amounts carried forward are balanced.

The distribution rate is contractually determined for each individual member of the Executive Management based on the compensation system, duties, responsibilities, performance and length of employment. The entitlement to and amount of variable remuneration is determined by the Board at its reasonable discretion, at the first Board meeting following the end of the financial year.

The Board may set additional incentives for proceeds from sales of non-listed investments or re-placements in the context of IPOs at companies in which MBB SE holds more than 5%. This was done, for example, in the context of the IPO of Friedrich Vorwerk Group SE, in connection with which the Executive Management received a bonus totaling €13,309,325.11 in financial year 2021 and €2,473,558 in total in financial year 2022. This special bonus reflects the increase in equity of MBB SE in financial year 2021 of €185,170,112.23, which is attributable in particular to the IPO of Friedrich Vorwerk Group SE. For the financial year 2021, this special bonus did also cover the annual variable remuneration, so that the annual variable remuneration described above did apply again in 2022. Due to the valuation effects of listed financial assets, the bonus assessment basis for the financial year 2022 was negative, so that no variable bonus was paid to the Executive Management for the financial year 2022.

Share-based long-term incentive program with multi-year term (LTIP)

The business model of MBB SE is essentially based on the commitment of qualified, dedicated managers, who are to receive a long-term incentive with these models on the one hand to increase the value of MBB permanently and sustainably and on the other hand to remain connected to the company in the long term. In 2020, MBB SE launched an equity-based stock option program 2020, which ends on August 26, 2024.

By resolution dated 24 August 2020, the Annual General Meeting authorized the Board to grant up to 240,000 no-par value bearer shares of the company to beneficiaries with subscription rights in accordance with section 192 (2) no. 3 of the AktG until June 30, 2025.

The option program is based on the performance of the MBB SE share price within the term of the stock option program. The amount at which stock option rights issued can be exercised is determined using a price-criteria model.

The stock option program 2020 is composed of a criterion A (exceeding of price thresholds) and a criterion B (average price achieved). Each criterion determines a percentage exercisability related to the issued stock option rights.

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

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

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

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

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

The absolute maximum amount per beneficiary for exercisable stock option rights is €199.00 less the exercise price per share, then multiplied by the total number of stock option rights allocated to the beneficiary in each case. Insofar as the prerequisites for exercising the option rights are met, they may in particular only be exercised if the beneficiary has been employed by MBB SE for twelve months without interruption or termination and the waiting period of four years plus one working day commencing on the day of issue has expired. Furthermore, exercise is only possible if the Board has determined the exercisability, the total amount of the exercisable stock option rights and the exercise price by resolution.

If a beneficiary leaves the company before the end of the term of the program, the allocation to the capital reserve and provision ends on his or her leaving date from the company. Termination of employment during the term has a reducing effect on the amount of exercisable stock option rights.

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

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

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

A total of 230,000 subscription rights were granted from the stock option program as at the reporting date.

Remuneration components of the Board

The remuneration of the Board is based on the remuneration system of MBB SE and refers to the recommendations and suggestions of the German Corporate Governance Code.

The remuneration components of the remuneration system comprise for the Board members of MBB SE:

Fixed remuneration components

- Attendance fees
- Supervisory Board remuneration in MBB Group
- Consulting services

Attendance fees

Under the remuneration system currently in place, each member of the Board receives fixed compensation per meeting, which amounts to €5,000.00 plus any value-added tax. The Chairman of the Board receives three times this amount and the Deputy Chairman one and a half times this amount, in each case plus any value-added tax.

Remuneration of the Supervisory Board in MBB Group

Some of the members of the Board of MBB SE receive additional remuneration from their activities as supervisory board members of subsidiaries of MBB SE, which are listed under the chapter "Executive bodies".

Supervisory Board remuneration paid to Executive Board members for intragroup mandates is offset against the remuneration from the capacity as Executive Director in accordance with the requirements of the German Corporate Governance Code. This applies to all new employment contracts of Executive Directors concluded from July 1, 2021.

Consulting services

There are consulting agreements with Gert-Maria Freimuth and Anton Breitkopf for specific individual projects that go beyond the scope that is owed anyway due to their position as Board members. Mr Gert-Maria Freimuth receives a daily rate of €2.0 thousand with an annual budget of €140.0 thousand, Mr Anton Breitkopf receives a daily rate of €1.5 thousand with an annual budget of €150 thousand.

Fringe benefits

The Board is included in the Group-wide directors' and officers' liability insurance (D&O insurance).

3. Remuneration of the executive bodies

Equity-based stock option program 2020

The equity-based options from the 2020 stock option program were measured once at the time of issue and the pro rata fair value attributable to the financial year 2022 was recognized in staff costs and in the capital reserve in the amount of €744.1 thousand (previous year: €846.6 thousand). To offset the tax expense, the corresponding provision was increased by €718.6 thousand in financial year 2022 (previous year: €811.3 thousand).

The number of options issued and the provision for the taxation of non-cash benefits developed as follows in the current financial year:

Options from stock option program 2020	Stock options granted		Provision for tax reimbursement		
	Jan 1, 2022	Dec 31, 2022	Jan 1, 2022	Additions	Dec 31, 2022
	Units	Units	€	€	€
Dr Christof Nesemeier	100,000	100,000	505,713	373,654	879,367
Dr Constantin Mang	50,000	50,000	297,355	219,706	517,061
Klaus Seidel	50,000	50,000	158,675	0	158,675
Dr Jakob Ammer	10,000	10,000	59,471	43,941	103,412
Torben Teichler	10,000	10,000	50,571	37,365	87,937
Team	10,000	10,000	57,147	43,941	101,088
	230,000	**230,000**	**1,128,933**	**718,608**	**1,847,540**

The addition to capital reserve and provision for the stock option rights granted to Klaus Seidel ended upon his resignation on June 30, 2021. His early resignation will have a reducing effect on the number of exercisable option rights at the exercise date.

Remuneration of Executive bodies

The following table shows the total remuneration of the Executive Directors and the Board for the past financial year and for the previous year in accordance with Section 285 No. 9 of the German Commercial Code (HGB). For further details reference is made to the remuneration report, published separately in accordance with Section 162 of the Stock Corporation Act (AktG).

Remuneration	2022	2021
Executive Management	3,537	12,626
The Board	402	383

4. Related party transactions

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

4.1 Related persons

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

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

Their remuneration was as follows:

	2022 €k	2021 €k
Salaries and other short-term benefits	3,939	13,009
Share-based payments	0	0
Total	**3,939**	**13,009**

Executive Management and Board

Please refer to the information on the remuneration paid as presented in the remuneration report of MBB SE. Other than the remuneration mentioned above, the members of the executive bodies have not entered into any other transactions with the MBB Group.

Notification of transactions involving shares of MBB SE

Persons with management duties, especially the members of Executive Management and the Board of MBB SE, and their related parties are required to disclose their transactions involving shares of MBB SE or related financial instruments. Notifications of relevant transactions are published on our website at https://www.mbb.com/investor-relations/corporate-governance.html.

4.2 Related companies

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

MBB SE pays Mr Gert-Maria Freimuth for his consulting activities through MBB Capital GmbH, Münster. Consulting services provided by Mr Anton Breitkopf are billed to Tolea GmbH, Cologne.

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

5. Employees

The number of employees in the 2022 financial year and in the previous year breaks down as follows:

Average number of employees	2022 Headcount	2021 Headcount
Service & Infrastructure segment	1,936	1,694
Technological Applications segment	1,257	1,288
Consumer Goods segment	429	440
Total	**3,622**	**3,422**

As of the reporting date	Dec 31, 2022 Headcount	Dec 31, 2021 Headcount
Service & Infrastructure segment	1,960	1,915
Technological Applications segment	1,196	1,200
Consumer Goods segment	415	426
Total	**3,571**	**3,541**

MBB Group has 261 (previous year: 263) trainees as of December 31, 2022 who are not included in the above figures.

6. Auditor's fees

The auditor's fees recognized in the 2022 financial year break down as follows:

	2022 €k	2021 €k
Audit services	559	487
Tax consulting services	0	0
Other assurance services	0	70
Other services	0	0
Total	**559**	**557**

In previous year, other assurance services relate to other confirmation services in connection with the IPO of Friedrich Vorwerk Group SE.

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 utilized, the banks have claims for recourse against the Group. There is only a risk of a guarantee being utilized if the underlying contractual obligations are not properly fulfilled. Such guarantees have not given rise to claims against the Group either in the financial year or in the past.

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

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

8. Other financial obligations

Other financial obligations mainly relate to obligations from purchases and lease obligations that have not been accounted for as a right of use asset and lease liability according to IFRS 16. As of December 31, 2022 their terms break down as follows:

Other financial obligations	Dec 31, 2022 €k	Dec 31, 2021 €k
Up to one year	4,104	5,959
More than one year and up to five years	1,213	1,073
Over five years	1,149	30
Total	**6,466**	**7,062**

9. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, MBB SE is required to submit a declaration on the extent to which the recommendations contained in the Corporate Governance Code of the German Government Commission have been complied with. The Board submitted the latest version of this declaration on March 29, 2023. It is published online at www.mbb.com.

10. Events after the end of the reporting period

MBB SE resolved on February 9, 2023 to make use of the authorization granted by the Annual General Meeting on May 28, 2019 to acquire treasury shares in accordance with Section 71 (1) no. 8 AktG. As from February 14, 2023 the company intends to purchase treasury shares with a maximum volume of €12.0 million up to a price of €96.00 per share via the stock exchange. The share buyback program is to end no later than April 26, 2023.

MBB SE acquired a further 3.26% of the shares in its subsidiary Aumann AG in the first quarter of 2023. The shareholding thus increased from 44.74% to 48.00%.

Berlin, March 29, 2023

The Executive Management of MBB SE

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer

Dr Christof Nesemeier
Executive Chairman

Responsibility statement

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

Berlin, March 29, 2023

The Executive Management of MBB SE

Dr Constantin Mang
Chief Executive Officer

Dr Jakob Ammer
Chief Operating Officer

Torben Teichler
Chief Investment Officer

Dr Christof Nesemeier
Executive Chairman

Independent Auditor's Report

To the MBB SE, Berlin, Germany

Report on the audit of the consolidated financial statements and the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of MBB SE and its Subsidiaries (the Group) – consisting of consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of the significant accounting policies. Furthermore, we have audited the Group management report of MBB SE for the financial year from January 1 to December 31, 2022, which is combined with the management report of the company. In accordance with German legal requirements, we have not audited the content of those part listed in "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e (1) of the Handelsgesetzbuch (HGB) and give a true and fair view of the net assets and financial position of the Group as of December 31, 2022 and of its results of operations for the financial year from January 1 to December 31, 2022 in compliance with these provisions, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of those parts of the Group management report listed in the "Other Information" section of our auditor's report.

Pursuant to section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the Group management report.

Basis for Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter "EU-APrVO") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group Entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) of the EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those that, based on our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2022. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the forming our opinion thereon; we have not issued a separate opinion on these matters.

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

- Goodwill impairment
- Revenue recognition from construction contracts

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

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

The key audit matters are presented below:

Goodwill impairment

1. Goodwill of €48.7 million is reported under the statement of financial position item “Intangible assets” in the consolidated financial statements of MBB SE. The company allocates the goodwill to the relevant groups of cash-generating units. The company tests goodwill for impairment annually as at the end of the reporting period or on an ad hoc basis. This is done by comparing the calculated value in use to the carrying amount of the corresponding group of cashgenerating units. These values are usually based on the present value of the future cash flows of the cash-generating unit to which the respective goodwill has been allocated. The values are calculated using forecasts for the individual cash-generating units based on the financial planning approved by management. Discounting is performed using the weighted average cost of capital of the respective cash-generating unit. The result of this is largely dependent on the estimate of future cash inflows by the company’s officers and the discount rate used, and is therefore subject to considerable uncertainty, hence this is a key audit matter.

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

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

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

3. The information provided by the company on goodwill can be found in notes I.4.5 and II.2. to the consolidated financial statements.

Revenue recognition from construction contracts

1. A significant portion of the Group’s business activities takes the form of production and construction contracts. Revenue recognition in accordance with IFRS 15 is dependent on the fulfilment of the performance obligation and must be assessed on the basis of the underlying contracts. Given the complexity of revenue recognition, revenue recognition is an area with a significant risk of material misstatement (including the potential risk of managers bypassing controls) and is therefore a key audit matter. Of the revenue, €562.8 million relates to period-related contracts with customers in 2022. €161.8 million in contract assets and €48.8 million in contract liabilities from production and construction contracts are recognized as of December 31, 2022.

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

- In the context of our audit, we reviewed the company’s internal methods, procedures and project management control mechanisms in the bidding and performance phase of production and construction contracts. We also assessed the design and effectiveness of accounting-related internal controls by tracking business transactions specific to contract manufacturing, from the time they arise to their presentation in the consolidated financial statements, and by testing controls.

- Using samples selected on a risk-oriented basis, we assessed the estimates and assumptions made by the company's officers in the context of individual audits. Our audit procedures also included a review of the contractual basis and contractual conditions, including contractually agreed regulations on partial delivery of goods and services, termination rights, default and contractual penalties and damages. For the selected projects, in order to assess the calculation of revenue on an accrual basis, we also examined the revenue billable as at the end of the reporting period and the associated costs of sales recognized in profit or loss in line with the percentage of completion and reviewed the accounting of the related balance sheet items.
- Furthermore, we questioned project management (both commercial and technical project managers) on the development of projects, the reasons for discrepancies between planned costs and actual costs, the current assessment of the costs expected to be incurred by the time of completion and the assessments of the company's officers of potential contract risks.

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

3. The information provided by the company on the accounting methods used for accounting for production and construction contracts can be found in notes I.4.14, I.4.20, II.7, II.8 and III.1 to the consolidated financial statements.

Other information

The legal representatives and the Board, respectively, are responsible for other information. The other information comprises:

- the declaration on corporate governance,
- the non-financial statement in accordance with section 315b HGB in conjunction with section 289b HGB,
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and Group management report and our audit opinion,
- the assurance in accordance with section 297 (2) sentence 4 of the HGB for the consolidated financial statements and the assurance in accordance with section 315 (1) sentence 5 of the HGB for the Group management report.

The Board is responsible for the Board Report. The legal representatives and the Board are responsible for the declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code, which forms part of the corporate governance statement contained in the management report. In all other respects, the legal representatives are responsible for the other information.

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

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

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

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

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

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

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

The board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU-APrVO and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Perform audit procedures on the prospective information presented by the executive directors in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control system that we identify during our audit.

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

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

Other legal and regulatory requirements

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

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with sec. 317 (3a) HGB to obtain reasonable assurance about whether reproduction of the consolidated financial statements and the Group management report (hereinafter "ESEF documents") contained in the provided electronic file [MBB_SE_IFRS_2022] and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format ("ESEF-Format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither the information contained within the reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned provided electronic file and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format. We do not express an opinion on the information contained in this reproduction nor any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated Financial statements and the accompanying Group management report for the financials year from January 1 through December 31, 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with sec. 317 (3a) HGB and the IDW auditing standard: Audit of the electronic reproductions of annual financial statements and management reports created for disclosure purposes in accordance with Section 317 para. 3a HGB [IDW PS 410(06.2022)]. Accordingly, our responsibilities are further described in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF-Documents" section. Our audit firm has applied the IDW Standard for Quality Management in the Audit Firm (IWD QS 1).

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

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

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

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

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

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

- Identify and assess the risks of material non-compliance with the requirements of sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal control relevant to the assurance engagement on the ESEF-Documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF-Documents, i.e. whether this file meets the electronic requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF-Documents enables a HTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF-Documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as applicable at the reporting date, provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information according to Article 10 of the EU Audit Regulation

We were appointed as the auditor of the consolidated financial statements by resolution of the Annual General Meeting of the parent company on June 30, 2022. We have been the auditors of the Group without interruption since fiscal year 2017.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Board in accordance with Article 11 of the EU Audit Regulation (audit report).

Other matter - use of the auditor's report

Our auditor's report must always be read in conjunction with the audited consolidated financial statements and the audited Group management report as well as the assured ESEF documents. The consolidated financial statements and the Group management report converted to the ESEF format - including the versions to be placed in the Unternehmensregister [Company Register] - are merely electronic renderings of the audited consolidated financial statements and the audited Group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available electronic form.

Responsible Auditor

The auditor responsible for the audit is Katrin Peters.

Düsseldorf, March 29, 2023

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr Grabs	Peters
Auditor	Auditor

Financial calendar

Quarterly Report Q1 2023

May 15, 2023

Annual General Meeting 2023

June 12, 2023

Half-year financial report 2023

August 15, 2023

Commerzbank & ODDO BHF Corporate Conference

September 5 - 6, 2023

Berenberg and Goldman Sachs Twelfth German Corporate Conference

September 18 - 20, 2023

Quarterly Report Q3 2023

November 14, 2023

Deutsches Eigenkapitalforum

November 27 – 29, 2023

End of Fiscal Year

December 31, 2023

Contact

MBB SE
Joachimsthaler Str. 34
10719 Berlin
Tel.: 030- 844 15 330
Fax.: 030- 844 15 333
www.mbb.com
office@mbb.com

Imprint

MBB SE
Joachimsthaler Str. 34
10719 Berlin