# COMBINED MANAGEMENT REPORT OF MAX AUTOMATION SE FOR THE FINANCIAL YEAR 2019 BASIS OF THE PARENT COMPANY AND THE GROUP

### **Business Model**

MAX Automation SE, based in Düsseldorf, Germany, is an internationally active industrial group which offers solutions for efficient industrial production and networked automation systems. Through its Group companies, the Group develops, produces and sells a broadly diversified portfolio of technologically complex components and process solutions for its customers, both in Germany and internationally. The broad range of products and solutions, which are often developed in close cooperation with customers and are tailored to their needs, serves a balanced spectrum of end markets and is characterized by a high degree of innovation. The Group companies function as full-service providers of machinery and equipment for their customers and offer such supplementary services as consulting (including analyses, tests and feasibility studies), production support and services, repairs and software development. The companies are in the position to serve as a one-stop shop and to offer integrated automation solutions of high technical complexity along with numerous services.

#### Structure

Since its conversion into a European Company in the 2017 financial year, MAX Automation SE has had a monistic management structure in which the management of the SE is incumbent on a single management body, the Supervisory Board. Operationally, the business is managed by the Managing Directors, who report to the Supervisory Board on the information needed for corporate governance and decision-making. The Managing Directors maintain close personal contact with the Group companies and receive regular financial and progress reports.

As the parent and management company of the MAX Group, MAX Automation SE is responsible for the operational and financial management of the Group. It also determines and monitors suitable strategic measures to ensure that the defined objectives of the segments and the Group are achieved.

In the 2019 financial year, the realignment of the Group that was initiated in 2018 was implemented

systematically. The former Industrial Automation and Environmental Technology segments were replaced at the beginning of the 2019 financial year by the Process Technologies, Environmental Technologies and Evolving Technologies business units, which represent the core business areas of the MAX Group. In addition, the Non-Core Business segment bundles companies that are strategically no longer relevant to the Group's future development.

In the Process Technologies segment, the associated Group company bdtronic GmbH and its subsidiaries focus on the development and production of machinery and equipment and related software solutions for high-precision production processes (especially dispensing and impregnation), particularly in the automotive and electronics industries.

In the Environmental Technologies segment, the Group company Vecoplan AG and its subsidiaries develop and install machinery and equipment for the sustainable use of primary and secondary raw materials as well as biomass, especially for the recycling, energy and raw materials industries.

The Evolving Technologies segment combines Group companies in the fields of optical solutions, medical technology solutions, industrial robotics and automation and packaging solutions. The Group companies NSM Magnettechnik GmbH, Mess- und Regeltechnik Jücker GmbH, MA micro Automation GmbH and its subsidiaries, iNDAT Robotics GmbH and AIM Micro Systems GmbH are combined in this segment.

The Non-Core Business segment comprises the companies IWM Automation Bodensee GmbH, IWM Automation Group, MAX Automation (Asia-Pacific) Co., Ltd. in Hong Kong, MAX Automation Shanghai Co., Ltd. and ELWEMA Automotive GmbH. In September 2018, the Supervisory Board of MAX Automation SE decided that the Group would withdraw from the construction of special machines and assembly lines for automotive customers. The disinvestment processes of the specified companies were and still are connected to this decision.

The closure of IWM Automation Bodensee GmbH was completed on 31 December 2019. The planned closure of IWM Automation GmbH in Porta Westfalica should follow no later than the third quarter of 2020. Regarding MAX Automation (Asia-Pacific) Co., Ltd. in Hong Kong, the Supervisory Board of MAX Automation SE had decided in September 2019 to cancel the investment agreement with joint venture partner Roger Li Liujie in China. On 30 December 2019, a request for arbitration against joint venture partner Roger Li Liujie was filed with the Court of Arbitration in Hong Kong. The objective is the complete reversal of the February 2018 transaction that was based on the investment agreement. It was still not possible to complete the process of selling ELWEMA Automotive GmbH in the past financial year, but these efforts are continuing in

### Strategic Positioning

A strategic orientation toward long-term growth industries is the basis of a sustainable growth strategy, making the MAX Group less susceptible to business volatility. The markets in which the MAX Group companies operate are characterized by intensive competition and ongoing technological progress. The Group companies strive to serve as the technology or quality leaders in their respective markets and sectors.

In its core business areas, MAX Automation benefits from long-term growth drivers. This includes such trends as electrification in the automotive area, the growing need for sustainability, as well as trends in demographic development and the related increasing health awareness of the population. Besides digitalization in industrial production and the associated networking of machinery and equipment, other trends involve rapidly growing industrial sectors such as micro-automation and robotics. The early identification of these trends and a corresponding strategic orientation are essential for the long-term business success of the MAX Group. MAX Automation assigns a high priority to the continuous refinement of its technologies as well as the development of innovative solutions in order to secure and expand the market positioning of the individual Group companies. The prerequisite for this is, not least, the active recruitment of talented individuals and top-notch professionals and thereby a corresponding branding of the Group companies.

The ambition of technology and quality leadership does not rest solely on the approach of developing technologically sophisticated automation solutions. The creation of customer-specific added value featuring high-quality solutions is an essential foundation for the strategic positioning of the MAX Group. Another aspect of this is that customers are addressed comprehensively across country and continental boundaries. The MAX Group operates globally in target markets in Europe, North and South America and Asia. The customer solutions are developed and produced primarily in Germany and to a lesser extent also at locations in the USA, Poland and Italy. An international network of sales and service locations, which is partly shared by the Group companies, is the basis for enabling the MAX Group to meet local customer requirements.

# Financial performance indicators

MAX Automation SE uses financial control indicators for the control and evaluation of the operative business. These indicators are recorded on the level of the group companies and consolidated at MAX Automation SE.

The primary management of the MAX Group is based on the following key figures

- Order Intake/Order Backlog
- Revenues
- EBITDA/EBITDA margin
- Working Capital

The goal is to identify trends at an early stage by analyzing the key financial performance indicators and thereby ensure and increase the long-term profitability of MAX Automation SE. Non-financial key performance indicators are not used for the internal management of the group.

In 2019, the Group recorded the following changes in key indicators

	2019	2018	Change
	in mEUR	in mEUR	in %
Order Intake	379.9	407.6	-6.8
Order Backlog <sup>1</sup>	199.5	260.3	-23.4
Working Capital	72.0	67.9	5.9
Sales	425.5	404.9	5.1
EBITDA	-0.9	-20.3	95.6
EBITDA-Margin (in % of Sales)	-0.2%	-5.0%	

<sup>&</sup>lt;sup>1</sup>as of 31. December 2019

In addition, the covenant agreements to the syndicated loan agreement are used to manage the MAX Group. The agreements include the equity ratio, the gearing ratio and the interest coverage ratio of MAX Group. Control is achieved by defining and checking target corridors.

### Research and development

The MAX Group serves a wide range of internationally renowned customers from various industries. They require automation solutions tailored to their individual needs based on the latest technologies and processes. The market environment of the Group companies is characterized by rapid technological change and intense competition. Also, political guidelines and regulations, especially in the waste and disposal industry, are drivers for customer-specific development processes.

Against this background, MAX Automation regards research and development (R&D) as an essential prerequisite for future success in its individual markets. As a lead company with a focus on strategy, MAX Automation SE does not conduct its own R&D. Rather the development activities of the Group are decentralized. Some of the Group companies have in-house capacity to this end in certain forms, such as specialist departments or technology centers. Most of their development work is carried out in the context of specific customer projects and is geared to the market situation and the needs of the customers. This also includes offering to do individual feasibility studies in advance. The MAX Group companies do not conduct any fundamental research.

The subsidiaries are continuously expanding their technological expertise in order to fulfill their demand for technological or quality leadership. It stands to reason that they have a comparatively young product portfolio which is characterized by innovations.

Information on the development costs can be found in the Notes under other information on the Consolidated Financial Statement in the section on research and development.

# GROUP ECONOMIC AND BUSINESS REPORT

# General economic and business conditions

#### Overall economic environment

According to the International Monetary Fund (IMF), the global economy recorded its weakest growth in 2019 since the global financial crisis a decade ago.1 According to a January 2020 update of the World Economic Outlook (WEO), global economic growth was down from 3.2% to 2.9% in the year elapsed. This equals a forecast correction of -0.1 percentage points compared to the WEO of October 2019.2 Increasing trade restrictions and the associated uncertainties put a damper on business activity worldwide and lent momentum to the economic slowdown, particularly in the advanced economies and in China. Moreover, the weakness of the major emerging markets impacted global economic growth. Consequently, increasing uncertainty resulted in companies postponing investments, thereby weakening demand for machinery and equipment. As a result of sluggish demand for durable goods and weaker industrial production, global trade stagnated in 2019. Central banks, including the U.S. Federal Reserve, the European Central Bank (ECB) and major emerging market central banks, reacted to the lackluster economy by lowering interest rates over the course of the year to counteract a stronger downturn. The IMF assessed the first signs of a bottoming out in the manufacturing sector and in world trade as positive, as well as encouraging news from the trade negotiations between the USA and China in addition to diminishing concerns about a "no deal Brexit".<sup>3</sup>

After several quarters of stronger-than-expected growth, the US economy slowed down, with the result that the IMF expects gross domestic product (GDP) in 2019 to be recorded 0.1 percentage points lower than its October forecast at 2.3%.<sup>4</sup> In 2018, US growth had still amounted to 2.9%.<sup>5</sup>

<sup>1</sup> https://blogs.imf.org/2019/12/18/2019-in-review-the-global-economy-explained-in-5-charts/

<sup>2</sup> https://www.imf.org/en/Publications/WE0/Issues/2020/01/20/weo-update-january2020

<sup>3</sup> https://blogs.imf.org/2019/12/18/2019-in-review-the-global-economy-explained-in-5-charts/

<sup>4</sup> https://www.imf.org/~/media/Files/Publications/WE0/2020/ January/English/text.ashx?la=en

<sup>5</sup> https://www.imf.org/~/media/Files/Publications/WE0/2019/ October/English/text.ashx?la=en

At 6.1%, economic growth in the People's Republic of China in 2019 remained unchanged from the October forecast and was down on the prior-year figure of 6.6%. Weaker growth was attributable to regulations to curb debt and overall demand, which was burdened by increasing trade tensions.

According to the IMF's unchanged January forecast, euro zone growth slackened from 1.9% to 1.2% in the past year.<sup>8</sup> This lower growth reflects a general slowdown in industrial production as a result of generally weaker foreign demand. In addition, the global impact of trade disputes and the significant slowdown in global automobile production also exerted a negative impact.<sup>9</sup>

In 2019, the German economy expanded for the tenth year in a row, with gross domestic product (GDP) up by 0.9%. According to the Federal Statistical Office (Destatis), however, in this longest growth phase of united Germany the economy lost momentum in the fiscal year elapsed compared to the previous year's figure of 1.5% and the average figure for the past ten years of +1.3%. Growth impulses in the year under review were generated in particular by stronger growth in consumer spending by the public sector and private households than in the two previous years. Exports also continued to develop positively with an increase of 0.9 % (adjusted for prices), although less vigorously than in 2018 at +2.1%.10

### Development of relevant industries

In 2019, the German mechanical engineering sector had to hold its own in an increasingly difficult sector environment. Impacted by the weak world economy, global trade disputes as well as far-reaching structural shifts in the automotive industry, order intake and production were below the previous year's level due to customers' reluctance to invest and postponed investments. According to figures available at the time of reporting on the 10-month period of 2019, order intake in the mechanical engineering sector was down by 9% year-on-year. The German Engineering

Federation (VDMA) stated the production decline for 2019 as a whole at 2%.

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After a strong order backlog that was largely reduced over the course of the year, the German robotics and automation industry was no longer able to escape the economic slowdown in the mechanical and plant engineering sector. An autumn revival as in previous years did not materialize. In addition to a global economy that is losing momentum, saturation effects in important markets such as the production of smartphones burdened developments. Investment reticence was particularly impacted by uncertainties arising from the transformation of the automotive industry and the flaring up of trade disputes. With a look to 2019, according to the VDMA Robotics + Automation Association, sales are expected to decline by 5% to 14.3 billion euros.<sup>2</sup>

According to the German Association of the Automotive Industry (VDA), 2019 was a challenging year for the international automotive markets. The European passenger car market achieved a nominal sales increase of 1% over the previous year's level. By contrast, demand weakened in the USA, falling below the 17 million units mark for the first time since 2014 (-1%), as well as in China, where demand was down for the second time in recent decades (-10%).3 In 2019, the German passenger car market achieved a 5% year-onyear increase in registrations to 3.6 million passenger cars. The last comparable market volume gain was recorded in 2009 with 3.8 million passenger cars. Domestic orders also developed positively, posting an increase of 6%, while orders from abroad were 2% below the level of the previous year.4

As the German High-Tech Industry Association SPECTARIS stated, the German medical technology sector achieved another record in 2019, posting an increase of around 6% above the 32 billion euro mark. Demand was stimulated by the digitalization of the health care system, global population growth in conjunction with rising prosperity in the emerging markets and demographic change in the developed economies. As a result of the new European Medical Device Directive (MDR), German medical technology companies also benefited from stockpiling prior to the UK's planned withdrawal from the EU and

<sup>6</sup> https://www.imf.org/~/media/Files/Publications/WE0/2020/ January/English/text.ashx?la=en

<sup>7</sup> https://www.imf.org/~/media/Files/Publications/WE0/2019/ October/English/text.ashx?la=en

<sup>8</sup> https://www.imf.org/~/media/Files/Publications/WE0/2020/

<sup>9</sup> https://www.imf.org/~/media/Files/Publications/WE0/2019/ October/English/text.ashx?la=en

<sup>10</sup> https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20\_018\_811.html

<sup>1</sup> https://www.vdma.org/v2viewer/-/v2article/render/45913465

<sup>2</sup> https://rua.vdma.org/viewer/-/v2article/render/45164151

<sup>3</sup> https://www.vda.de/de/presse/Pressemeldungen/200116-Europ-Pkw-markt-2019-leicht-im-plus.html

<sup>4</sup> https://www.vda.de/de/presse/Pressemeldungen/200106-Deutscher-Pkw-Markt-2019-im-Plus.html

from bringing forward investments in China due to trade disputes with the USA.<sup>5</sup> Especially the German ophthalmic optics industry, which is important for MAX Automation, was able to record its most successful business year of the last decade. In an unbroken growth trend since 2011, the industry achieved sales gains of 5% to around 5 billion euros with gratifying growth in Europe, North America and Asia.<sup>6</sup>

Up to the publication of this annual report for the year 2019, the VDMA Waste and Recycling Technology Association expected stable sales growth of around 3% compared with the previous year's figure of EUR 2.9 billion, unchanged and for the third time in succession. Domestic demand for efficient plant technology benefited from the Packaging Act that came into force at the beginning of 2019. With a look to exports, the most important pillar of German waste and recycling technology, the VDMA trade association expected a renewed, slight increase in the export ratio to 67% by comparison with the previous year.<sup>7</sup>

# Business development of the Group

MAX Automation has developed successfully in the 2019 transition year with the realignment to the three segments of the core business, Process Technologies, Environmental Technologies and Evolving Technologies. In its core business, the MAX Group benefited in particular from the subsidiaries' pronounced, in-depth know-how in areas of future-oriented technologies such as e-mobility, process automation and sustainability.

At the Group level (including non-core business), order intake of MAX Automation decreased by -6.8% to mEUR 379.9 (previous year: mEUR 407.6) in 2019. Core Business declined by -2.8% to mEUR 316.3 (previous year: mEUR 325.4). While Environmental Technologies reported significant growth in order intake, Process Technologies and Evolving Technologies were down year on year. As of December 31, 2019, order intake in core business decreased by -11.9% to mEUR 152.9 (previous year: mEUR 173.6) correspondingly, while

remaining at a high level. At the Group level, order backlog was mEUR 199.5 (previous year: mEUR 260.3) as of December 31, 2019, and therefore was -23.4% below the previous year. Nevertheless, order development was in line with expectations with a book-to-bill-ratio of 0.89 (previous year: 1.01) since there still had been a higher comparison basis in particular for one-time projects in the Evolving Technologies segment in the previous year in particular.

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In Non-Core Business of Max Automation, order intake decreased by -22.6% to mEUR 63.6 (previous year: mEUR 82.2) in 2019, which was impacted in particular by the announced closures of IWM Automation companies. Order intake in Non-Core Business declined as of 31 December 2019, with the gradual processing of ongoing projects in the companies to be closed by -46.2% to mEUR 46.6 (previous year: mEUR 86.7).

With regard to the 2019 financial year, the Managing Directors for the continuing operations, the core business, based on the portfolio at that time and the expectations for the overall economic developments as presented in the 2018 Management Report, had initially assumed consolidated revenues of more than mEUR 300 and EBITDA of more than mEUR 20 (excluding the transition effects of IFRS 16).

After the first nine months of 2019, on 22 October 2019, MAX Automation SE issued its forecast in concrete terms based on the positive business developments and the continued strong demand in its core business and raised its expectations for the full year 2019. Management forecasted higher revenues of mEUR 320 to mEUR 330 for the core business. Revenue of mEUR 400 to mEUR 420 was anticipated for the group as a whole (including non-core business). At the same time, management raised the outlook for earnings before interest, taxes, depreciation and amortization (EBITDA) to mEUR 26 to mEUR 28. With regard to the Group as a whole, EBITDA of minus mEUR 6 to minus mEUR 10 million was assumed. Both results did not yet take into account the expected effects of the firsttime application of IFRS 16 (Leases) in the amount of mEUR 3 to mEUR 4.

The comparison of forecast and actual figures shows a slight increase in actual figures of 5.1% compared to the management's increased forecast to consolidated revenues of mEUR 425.5 (previous year: mEUR 404.0). Non-core business once again significantly burdened the entire Group in the course of the year. Measures implemented for overcoming

<sup>5</sup> https://www.spectaris.de/verband/aktuelles/detail/spectaris-bekanntgabe-zur-medica-deutsche-medizintechnik-mit-rekord-zuwachs/

<sup>6</sup> https://www.spectaris.de/verband/aktuelles/detail/deutscheaugenoptik-industrie-blickt-auf-ihr-erfolgreichstes-geschaeftsiahr-des-letzten-iahrzehnts/

<sup>7</sup> https://www.vdma.org/v2viewer/-/v2article/render/30179238

operational problem areas in Non-Core Business could largely be implemented by the end of 2019. With regard to the Group as a whole, the operating loss could be decreased with an improvement by 95.6% to a consolidated EBITDA of mEUR -0.9 (previous year: mEUR-20.3), including the initial application of IFRS 16. The IFRS 16 effect was mEUR 4.0. The improvement of EBITDA to minus mEUR 6 to minus mEUR 10 promised by management was therefore exceeded at the Group level. The backdrop for this improvement is primarily an error correction according to IAS 8 that was carried out, which had a positive EBITDA effect in 2019 in the amount of mEUR 4.6.

A particularly encouraging sign was the development of the revenue situation of all three segments of core business with sharp increases in sales. In 2019, revenues in core business were up by 21.5% to mEUR 339,3 (previous year: mEUR 279.2) and thereby stood 2.8% above the elevated forecast. In core business, earnings before interest, taxes, depreciation and amortization (EBITDA) of mEUR 36.0 were recorded in 2019 at a plus of 133.7% (previous year: mEUR 15.4), including the initial application of IFRS 16 (Leases) of mEUR 3.1. Consequently, management expectations for the operating result of the Process Technologies, Environmental Technologies and Evolving Technologies segments were slightly exceeded, which can be traced back to an error correction according to IAS 8.

In Non-Core Business, revenues in 2019 fell by -29.7% to mEUR 89.8 (previous year: mEUR 127.7). The operative earnings before interest, taxes and depreciation (EBITDA) of mEUR -36.6 (previous year: mEUR -36.0), incl. initial application of IFRS 16 (Leases) had a negative effect, in particular, due to the costs of companies intended for closure and the completion of negative projects.

In summary, MAX Automation can look back on a good year despite all short- and medium-term challenges, which is mainly due to the positive developments in the core business. In a declining market environment, the Group was able to hold its ground and close the year above the revenues and earnings forecasts made.

# Significant events for the course of business

The positive business developments in the year under review were fundamentally shaped by the Group's strategic and organizational realignment. The core

of the measures was the focus on the three core business areas Process Technologies, Environmental Technologies and Evolving Technologies.

The clear focus on the three core business areas contributed significantly to lifting profitability in the Group. The discontinuation of non-core business companies that were no longer profitable or no longer suited to the strategic realignment proved expedient. In this context, the closure of IWM Automation Bodensee GmbH as of 31 December 2019 as well as the decision taken in September 2019 on closing IWM Automation GmbH by no later than 30 September 2020 should be mentioned.

The completed realignment and continued strong demand in the Process Technologies, Environmental Technologies and Evolving Technologies segments resulted in an increase in earnings expectations for the core business for the year as a whole at the beginning of the fourth quarter of 2019. The positive development was also bolstered by two major orders that the MAX Group companies received in the last quarter of 2019. Our company bdtronic, for example, is manufacturing systems for the production of electric motors for the premium car manufacturer Audi. The subsidiary MA micro automation GmbH is producing assembly systems for medical optical systems for a customer active in the medical technology sector.

# Group accounting and scope of consolidation

MAX Automation SE has prepared the consolidated financial statements for the 2019 fiscal year in accordance with the provisions of the International Financial Reporting Standards (IFRS). The Company is thereby exempt from preparing consolidated financial statements in accordance with the provisions of the German Commercial Code (HGB). The figures for the previous year were also calculated in accordance with IFRS.

The Supervisory Board of MAX Automation SE decided on 25 September 2018 that the Group will withdraw from the construction of special machines and assembly systems for automotive customers in the Mobility Automation division. In accordance with IFRS 5, the assets and liabilities of the Group companies to be sold were reported in total as discontinued operations for 2018. This meant that the sales and earnings contributions of the IWM Automation Group,

ELWEMA Automotive GmbH and the 51% investment MAX Automation (Shanghai) Co., Ltd. were no longer included in the consolidated income statement. The earnings after tax of the companies to be divested were shown in a separate item after the earnings from continuing operations. The profit for the period of the Group as a whole was calculated as the sum of both results. In September 2019, the twelve-month period provided for in IFRS5, during which the disposals should have taken place, ended. Accordingly, the previously explained presentation as discontinued operation was reversed. The respective comparative figures for the prior-year period have been restated accordingly. In the consolidated balance sheet as of 31 December 2018, the assets and liabilities of all companies are included in their original positions again, which were reported separately in the consolidated financial statements for 2018 as discontinued operations in a single item as "Assets held for sale" and as "Liabilities directly associated with assets held for sale".

In addition, due to an error correction in accordance with IAS 8, the "previous year's figures after adjustment" are shown adjusted in a third column next to "previous year's figures as reported". More detailed information on the correction of errors can be found in the notes to the consolidated financial statements.

Detailed information on the scope of consolidation is contained in the notes to the consolidated financial statements

# Sales and result of operations

MAX Automation achieved a 5.3% increase in sales to mEUR 425.5 in 2019 by focusing on growth areas in its core business at the level of the Group as a whole (previous year: mEUR 404.0).

At Group level, the export share of sales rose by 11.9% to 63.2% compared to 2018 (previous year: 56.5%). With an increase in sales in Germany, Europe, the USA and the rest of the world, MAX Automation was able to grow in all foreign markets except China.

The Group's total output in 2019 decreased by 1.5% to mEUR 399.3 (previous year: mEUR 405.3), primarily due to changes in inventories and other revenues. Other own work capitalized increased by 15.0% to mEUR 2.3 (previous year: mEUR 2.0).

MAX Automation's other operating income increased to mEUR 11.1 (previous year: mEUR 8.6). In particular, income from the reversal of provisions increased, whereas the previous year's figure included income from deconsolidation.

The item investment property mainly comprises the property on Kesselbachstrasse in Bermatingen, Germany, which is rented under a lease. As a result of the discontinuation of the operating business of IWM Automation Bodensee GmbH, the property is no longer subject to own use and has been classified as investment property since 30 June 2019 due to the intention to rent it. Due to the transfer of the property to investment property, the adjustment to fair value in the amount of mEUR 2.8 occurred outside profit or loss via the revaluation reserve as well as in the amount of mEUR 2.6 in profit or loss as a reversal of an impairment loss in other operating income. The figure in the previous year was zero.

Income from exchange rate differences increased to mEUR 0.7 (previous year: mEUR 0.5).

Cost of materials decreased at a Group level by 15.6% to mEUR -202.7 (previous year: mEUR -240.2). At 50.8%, the cost of materials ratio – in relation to total output – was below the level of the comparable period (previous year: 59.3%).

Personnel expenses increased by 11.4% to mEUR -139.1 (previous year: mEUR -124.9). This includes expenses for the closure of IWM Automation Bodensee GmbH, in particular for severance payments and the transfer company for employees. The personnel expenses ratio – in relation to total output – therefore rose to 34.8% (previous year: 30.8%).

As a result of lower impairments of goodwill, depreciation and amortization for the Group as a whole fell by 31.9% to mEUR -14.9 (previous year: mEUR -21.9). This includes the special amortization of the goodwill of IWM Automation GmbH.

Other operating expenses of the Group increased slightly to mEUR -69.4 (previous year: mEUR -69.0) mainly for warranties and maintenance. Expenses from exchange rate differences rose to mEUR -1.2 (previous year: mEUR -0.8). The balance of currency effects of mEUR -0.5 (previous year: mEUR -0.3) results in an other operating expense ratio of 17.4% of total output (previous year: 17.1%).

In Group earnings before interest, tax, depreciation and amortization (EBITDA), MAX Automation achieved a significant improvement to mEUR -0.9 by concentrating on its strong core business with reduced volatility and lower risk (previous year: mEUR -20.3). Accordingly, the EBITDA margin at Group level improved to 0.2% (previous year: -5.0%) based on revenue.

In 2019, Group earnings before interest and taxes (EBIT) improved to mEUR -15.8 (previous year: mEUR -42.1), so that the EBIT margin reached -3.7% in relation to revenue (previous year: -10.4%).

The Group financial result of mEUR -18.1 (previous year: mEUR -4.0) was burdened in particular by writedowns for a loan and the utilization of a bank guarantee for the at-equity investment MAX Automation (Asia Pacific) Co. Ltd. as well as by a payment claim against the former Group company NSM Packtec GmbH, which was sold on 9 March 2018.

In 2019, Group earnings before taxes (EBT) improved by 27.6% to mEUR -34.3 (previous year: mEUR -47.4).

The income tax expense of MAX Automation was mEUR -1.2 (previous year: mEUR 3.8). Income taxes also reflect losses from discontinued operations due to existing fiscal unity.

The MAX Group closed 2019 with a 18.6% improvement in net income to mEUR -35.5 (previous year: mEUR -43.6). This resulted in earnings per share of EUR -1.18 (previous year: EUR -1.32).

# **Asset position**

As of 31 December 2019, the Group recorded a decline in total assets of 7.1% to mEUR 332.4 (31 December 2018: mEUR 357.9). Fixed assets (excluding deferred taxes) are financed through equity and non-current liabilities. Current assets cover current liabilities.

Non-current assets increased by 20.9% to mEUR 141.1 (31 December 2018: mEUR 117.0) particularly due to the valuation of rights-of-use assets at mEUR 17.2 (31 December 2018: mEUR 0) as a result of the first-time application of IFRS 16 (Leasing). Intangible assets decreased by 52.0% to mEUR 6.8 (31 December 2018: mEUR 14.1). Mainly due to the special amortization of goodwill from IWM Automation Bodensee GmbH, goodwill decreased by 6.5% to mEUR 46.2 (31 December 2018: mEUR 49.4). Retained earnings

increased by 33.0% to mEUR 46.3 (31 December 2018: mEUR 34.8).

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Investment property, with the recognition of the property intended for rental from leases from IWM Automation Bodensee GmbH amounted to mEUR 7.5(31 December 2018: mEUR 1.3). Long-term financial assets accounted for using the equity method decreased to mEUR 0 with the sale of the non-controlling interest in ESSERT GmbH (31 December 2018: mEUR 2.4). At mEUR 6.7, the value of other long-term financial assets was 5.7% below the previous year due to the issuance of a loan to the former non-controlling interest ESSERT GmbH (31 December 2018: mEUR 7.1).

Deferred tax assets increased by 38.4% to mEUR 10.4 (31 December 2018: mEUR 7.5), in particular due to higher losses carried forward.

Overall, the share of non-current assets in total assets rose to 42.5% (31 December 2018: 32.6%). Current assets fell by 20.7% to mEUR 191.0 (31 December 2018: mEUR 241.0), mainly due to the 37.0% reduction in inventories in the companies to be closed down and the error corrections in accordance with IAS 8 to mEUR 54.0 (31 December 2018: mEUR 84.8). Contractual assets were recorded with a decrease of 30.3% to mEUR 41.0 (31 December 2018: mEUR 58.8). Trade receivables decreased by 16.1% to mEUR 45.4 (31 December 2018: mEUR 54.1), mainly due to the forthcoming closures of the IWM Automation companies.

Tax receivables increased by 16.8% to mEUR 7.1 (31 December 2018: 6.1 mEUR).

As 31 December 2019, cash and cash equivalents increased by 21.1% to mEUR 40.6 (December 31, 2018: mEUR 33.5). Overall, the share of current assets in total assets fell to 57.5% (31 December 2018: 67.4%).

At the Group level, working capital rose by 5.9% to mEUR 72.0 (31 December 2018: mEUR 67.9). While working capital in non-core business decreased with the decline in new business due to the planned closures and final acceptance of open projects, working capital in the core business areas increased due to upfront expenditures for new orders.

# Financial position

The capital structure in the MAX Group in 2019 fiscal year was influenced in particular by the restructuring of non-core business. Accordingly, the equity of MAX Automation as of 31 December 2019, decreased by -18.9% to mEUR 67.9 (31 December 2018: mEUR 83.6). The MAX Group thereby reported an equity ratio of 20.4% at the end of the year (31 December 2018: 23.4%).

Retained earnings decreased by 17.4% to mEUR 24.1(31 December 2018: mEUR 29.2). The application of IAS 16 resulted in the recognition of a revaluation reserve of mEUR 11.3 for land and buildings (31 December 2018: mEUR 0). As a result of the sale of the non-controlling interest in ESSERT GmbH, a positive valuation difference of mEUR 0.3 was recorded for third-party interests (31 December 2018: mEUR -4.5).

As of 31 December 2019, the MAX Group recorded a net loss of mEUR -16.9 (31 December 2018: retained profit of mEUR 10.7).

Non-current liabilities increased by 54.0% to mEUR 152.5 (31 December 2018: mEUR 99.0). In particular, non-current liabilities to banks increased by 57.1% to mEUR 120.6 (31 December 2018: mEUR 76.8). Other non-current financial liabilities decreased to mEUR 0.3 with the termination of the investment agreement in connection with MAX Automation (Shanghai) Co. Ltd. (31 December 2018: mEUR 8.0). Other long-term provisions decreased by 15.9% to mEUR 4.2 due to the termination of long-term guarantee liabilities (31 December 2018: mEUR 5.0). Deferred tax liabilities increased by 58.7% to mEUR 10.9 with the revaluation in accordance with IAS 16 (31 December 2018: mEUR 6.9).

Current liabilities decreased by -36.1% to mEUR 112.0 (31 December 2018: mEUR 175.3). Trade payables decreased by -50.4% to mEUR 49.8 in particular due to the planned closure of the IWM Automation companies (previous year: mEUR 100.5).

Current liabilities due to banks decreased by 75.1% to mEUR 1.3 (31 December 2018: mEUR 5.3). Other current financial liabilities decreased by 21.8% to mEUR 15.7 (31 December 2018: mEUR 20.1). This included obligations of mEUR 4.0 from purchase agreements in the previous year. Provisions and liabilities from income taxes decreased to mEUR 2.2 (31 December 2018: mEUR 4.3).

Gross debt (current and non-current liabilities to banks) increased by 48.5% to mEUR 121.9 (31 December 2018: mEUR 82,1).

At mEUR 81.3 at the end of the year, net debt was higher than the previous year (31 December 2018: mEUR 48.6).

### Liquidity development

The MAX Group recorded a cash outflow from operating activities for 2019 of mEUR -20.9 (cash inflow from the previous year: mEUR 20.6). The outflow in the period under review resulted in particular from the negative, cash-effective annual result with a constant need for working capital slightly above the previous year's level.

Investment activities resulted in an outflow of funds of mEUR 10.3 (previous year: mEUR 13.5). Of this amount, mEUR 6.2 was mainly attributable to investments in property, plant and equipment and mEUR 2.2 to payments for loans granted to ESSERT GmbH. In the previous year, payments of mEUR 10.8 were made for the acquisition of MAX Automation (Shanghai) Co. Ltd. and inflows of mEUR 2.9 were received from the sale of NSM Packtec GmbH.

The cash inflow from financing activities in 2019 was mEUR 38.8 (cash inflow from the previous year: mEUR 0.1) and reflects the increased utilization of the syndicated loan. The dividend payment of mEUR -4.4 also occurred in 2018. The distribution of a dividend was suspended in 2019.

Overall, there was a cash-effective increase in cash and cash equivalents of mEUR 7.6 in the 2019 fiscal year (previous year: mEUR 7.2). After taking into account changes in cash and cash equivalents of mEUR 0.6 due to exchange rate movements and changes in the scope of consolidation, cash and cash equivalents as of 31 December 2019, were up by mEUR 40.6 (31 December 2018: mEUR 33.5).

## Segment reporting

MAX Automation SE and its Group companies serve the demand for technologically complex and innovative components and system solutions for efficient, flexible and networked automation in industrial production. The individual companies focus on solutions for specific sectors.

In the Process Technologies segment, the Group company bdtronic GmbH and its subsidiaries focus

on the development and production of machinery and equipment and the associated software solutions for high-precision production processes (especially dispensing and inpregnation), particularly in the automotive and electronics industries. With the solutions it offers, the segment benefits from global trends in the automotive sector towards high-performance driver assistance systems, electric drives and customer-specific, freely configurable devices.

In the Environmental Technologies segment, the Group company Vecoplan AG and its subsidiaries develop and install machinery and equipment for the sustainable use of primary and secondary raw materials, especially for the recycling, energy and raw materials industries. The segment offers various solutions for the efficient recycling of resources and waste with the aim of returning them to the production cycle or using them as substitute fuel for energy recovery. In view of increasingly scarce natural resources, the growing world population and rising energy consumption, sustainability has become a trend that, according to this segment's view, is increasingly becoming a factor in purchasing decisions.

The Evolving Technologies segment combines Group companies in the fields of optical solutions, medical technology solutions, industrial robotics and automation and packaging solutions. This segment comprises the Group companies NSM Magnettechnik GmbH, Mess- und Regeltechnik Jücker GmbH and MA micro automation GmbH and their subsidiaries, iNDAT Robotics GmbH and AIM Micro Systems GmbH. The range of services includes the development and production of integrated assembly systems including the integration of robotics solutions, the development of control software and the provision of maintenance services. The segment offers solutions for the global trend toward automation and digitization in production. With solutions for medical technology, this segment also benefits from the growing global population and longer life expectancy, as well as the associated rise in demand for self-diagnostics and self-medication solutions.

In September 2018, the Supervisory Board of MAX Automation SE decided that the Group would withdraw from the construction of special machines and assembly lines for automotive customers. The companies IWM Automation Bodensee GmbH, IWM Automation Group, MAX Automation (Asia-Pacific) Co., Ltd in Hong Kong and MAX Automation Shanghai Co., Ltd as well as ELWEMA Automotive GmbH are combined in this Non-Core Business segment.

### **Process Technologies segment**

Order intake in the Process Technologies segment fell by 10.3% to mEUR 62.5 (previous year: mEUR 69.7) as a result of orders placed by customers in 2020. Overall, however, the decline in order intake was less than the industry average, as the segment's waterproofing technology and proprietary dosing technology serve demand from important growth areas such as e-mobility. Particularly noteworthy is the large-volume order in October 2019 for the e-mobility platform of the automobile manufacturer Audi. As of 31 December 2019, the order backlog decreased by 31.3% to mEUR 24.7 due to the processing of existing orders (31 December 2018: mEUR 36.0).

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The Process Technologies business unit made a strong contribution with an increase of 36.8% to mEUR 73.4 (previous year: mEUR 53.7), the largest contribution to the growth of Group revenue. Process Technologies generated 63.6% of its revenues outside of Germany (previous year: 59.1%).

In 2019, operative earnings before interest, taxes, depreciation and amortization (EBITDA) for the Process Technologies business unit rose by 23.9% to mEUR 14.8 (previous year: mEUR 12.0). As a result of expansion investments in production facilities, the EBITDA margin fell by 9.1% to 20.0% (previous year: 22.0%).

Working capital rose by 41.4% to mEUR 16.6 due to advance payments for new orders (previous year: mEUR 11.8).

The average number of employees excluding trainees in the Process Technologies segment rose by 22.2% to 368 in 2019 with the expansion of business activities (previous year: 301).

### **Environmental Technologies**

At 21%, order intake in the Environmental Technologies segment rose better than the industry average to mEUR 140.3 thanks to its positioning with innovative products, especially for solutions for the sustainability and recycling megatrends (previous year: mEUR 116.0). In this context, Vecoplan AG and its subsidiaries benefited in particular from major projects in the USA and an increase in underlying business. Environmental Technologies recorded a 37.5% increase in the order backlog to mEUR 47.5 (31 December 2018: mEUR 34.6).

Environmental Technologies achieved an increase in revenues of 15.4% to mEUR 127.6 (previous year: mEUR 110.6), with 83.1% of the revenues (previous year: 79.8%) generated outside of Germany.

In 2019, operative earnings before interest, taxes, depreciation and amortization (EBITDA) for the Environmental Technologies segment rose by 28.8% to mEUR 12.9 (previous year: mEUR 10.0). The reason for the year-on-year increase in EBITDA was the higher revenue and the focus on more profitable projects and high-margin services, which also further improved the EBITDA margin by 11.1% to 10.0% (previous year: 9.0%).

Working capital rose by 22.4% to mEUR 17.6 due to advance payments for new orders (previous year: mEUR 14.4).

The average number of employees excluding trainees in the Environmental Technologies segment rose by 7.7% to 404 in 2019 with a well-filled order pipeline (previous year: 375).

#### **Evolving Technologies**

In the Evolving Technologies segment, order intake decreased by 18.8% to mEUR 113.5 versus a higher basis of comparison from special projects in the previous year (previous year: mEUR 139.7). Nevertheless, all areas of Evolving Technologies showed an encouraging development in demand; adjusted for a one-off major order in the medical technology sector in the same period of the previous year (mEUR 33.0), Evolving Technologies recorded a significant improvement in the order situation with an increase of 6.4%. The receipt of a major order in the low doubledigit millions from the USA for medical technology optical systems in the fourth quarter of 2019 contributed to this. Overall, Evolving Technologies recorded a 21.7% decrease in the order backlog to mEUR 80.7 (31 December 2018: mEUR 103.1).

With the increasing importance of automation, especially in medical technology and the automotive supply industry, the Evolving Technologies division achieved a 19.4% increase in sales to mEUR 136.2 (previous year: mEUR 114.1). Evolving Technologies thereby made the largest contribution to Group revenue in the reporting period.

Due to a higher basis of comparison in the previous year, Evolving Technologies generated 31.0% of its revenues outside of Germany in 2019 (previous year: 46.5%).

In 2019, operative earnings before interest, taxes, depreciation and amortization (EBITDA) for the Evolving Technologies division rose to mEUR 16.9 taking into account special effects from fair value measurements and an error correction according to IAS 8 in the previous year (previous year: mEUR 2.9), which also increased the EBITDA margin to 12.4% (previous year: 2.6%).

Due to the increase in capital-intensive orders in the robotics segment, working capital rose to mEUR 7.7 (previous year: minus mEUR 0.6), but remained at a relatively low level overall due to the high advance payments for orders in the medical division.

The average number of employees excluding trainees in the Evolving Technologies segment in 2019 was almost unchanged at 549 (previous year: 547).

#### Non-Core Business

In the Non-Core Business segment, order intake fell by 22.6% to mEUR 63.6 due to the announced closures of the IWM Automation companies (previous year: mEUR 82.2). With the successive completion of ongoing projects in the companies to be closed, Non-Core Business recorded an overall decline in the order backlog of 46.2% to mEUR 46.6 (31 December 2018: mEUR 86.7).

The Non-Core Business segment recorded a decline in revenues of 29.7% to mEUR 89.8 (previous year: mEUR 127.7). The segment generated 82.6% of its revenues in international business, driven by ELWEMA Automotive GmbH (previous year: 64.8%).

For operative earnings before interest, taxes, depreciation and amortization (EBITDA) for 2019, the segment posted a further decrease of 1.5% to minus mEUR 36.6 (previous year: minus mEUR 36.0). Due to the decreased profitability of still existing projects, the EBITDA margin fell further to -41.0% (previous year: -28.0%).

Working capital in non-core business fell by 28.6% to mEUR 31.2 due to the decline in new business as a result of the planned closures and final acceptance of projects still open (previous year: mEUR 43.7).

The average number of employees excluding trainees in the Non-Core Business segment fell by 11.5% to 486 in 2019 (previous year: 550).

## **INVESTMENTS**

MAX Group invested EUR 8.5 million in non-current assets in the 2019 financial year, compared with EUR 24.8 million in the previous year. Investments mainly related to IT, technical equipment and machinery as well as plant and business equipment.

Detailed information on the investments in the segments can be found in the segment reporting attachment.

# PERSONNEL REPORT

In 2019, the MAX Group with its Group companies responded to the requirement - as in previous years - to adjust the number of employees in line with business and operational developments in an appropriate manner.

As of December 31, 2019, the Group had a total of 2,023 employees including trainees (December 31, 2018: 1,977). Of these employees, 1,518 (December 31, 2018: 1,426) were active in the core business areas Process Technologies, Environmental Technologies and Evolving Technologies.

The average number of employees - excluding trainees - was up by 2.4% to 1,816 employees (previous year: 1,773). Of these, 1,321 employees were assigned to the core business areas (previous year: 1,223). The increase in the number of employees is mainly due to the recruitment of experienced engineers and software developers.

The strategic growth targets of MAX Group call for strong performance motivation on the part of our employees and qualified specialists. In order to counteract the expected shortage of skilled workers, almost all MAX companies engage in active training. At the same time, the respective personnel policy includes high training standards and the promotion of young talent. The MAX Group employed 140 trainees as of the 2019 balance sheet date (previous year: 137).

MAX Automation perceives its employees in the Group companies and in the holding company as essential resources for business success. Consequently, the company aims to create attractive and comprehensive opportunities for professional and personal development and thereby to promote the bond of

qualified and committed employees to the MAX Group. Our employees have access to an extensive range of further training offerings and opportunities to develop their skills and abilities.

### MAX AUTOMATION SE

The Annual Financial Statement of MAX Automation SE was prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB). The regulations set out in the German Stock Corporation Act (Aktiengesetz - AktG) were also followed. The Annual Financial Statement was prepared in accordance with the regulations for large corporations.

# Earnings situation and appropriation of profits

The earnings situation of MAX Automation SE is highly dependent on the development of the results of the subsidiaries. Control and profit and loss transfer agreements were concluded with three subsidiaries (IWM Automation GmbH, bdtronic GmbH and NSM Magnettechnik GmbH) by resolution of the Annual General Meeting on 18 May 2018. The distributions of the other companies to the parent company are based on the results and take into account the future investment requirements of the subsidiaries.

The development of the subsidiaries' earnings situation is shown in the segment report. The following figures are based on the commercial results of MAX Automation SE.

MAX Automation SE reports income from profit transfers of mEUR 12.2 (previous year: mEUR 14.7) as well as expenses from profit transfers of mEUR 12.4 (previous year: mEUR 12.6) and investment income of mEUR 0 (previous year: mEUR 2.4) in the 2019 fiscal year.

Sales revenues, which mainly include group allocations with affiliated companies, amounted to mEUR 3.3 (previous year: mEUR 3.1).

Write-downs of current assets amounting to mEUR 9.2 (previous year: mEUR 0) include the write-down of the recovery claim towards MAX Automation (Shanghai) Co. Ltd from a drawdown of a bank guarantee

amounting to mEUR 4.5 as well as a valuation allowance for a loan towards the buyer of Finnah PacktecGmbH (previously: NSM Packtec GmbH) amounting to mEUR 0.7 and the valuation allowance for a recovery claim towards the buyer of Finnah Packtec GmbH (previously: NSM Packtec GmbH) from the drawdown of an advance payment bond amounting to mEUR 4.0.

Other operating expenses rose from mEUR 7.7 to mEUR 9.6 mainly due to the use of restructuring advice at subsidiaries and legal advice in connection with legal disputes.

The loss from the sale of financial assets amounting to mEUR 1.7 includes the sale of minority shares of ESSERT GmbH.

The net interest result stood at mEUR -0.8 after mEUR +0.1 in the previous year. This mainly includes expenses for the syndicated loan and interest income from affiliated companies.

Write-downs of financial assets of a total of mEUR 22.9 (previous year: mEUR 0) include valuation allowances in connection with the investment in MAX Automation (Asia Pacific) Co. Ltd, Hong Kong, amounting to mEUR 12.8 and a write-down of the investment in IWM Automation GmbH, Porta Westfalica, amounting to mEUR 6.9 and value allowances for liabilities of Finnah Packtec GmbH (previously NSM Packtec GmbH) assigned to Max Automation GmbH amounting to mEUR 4.9 which should be considered a loan, economically speaking.

The Company reported earnings before taxes of mEUR -44.0 (previous year: mEUR -1.8). Tax income of mEUR 0 was reported (previous year mEUR 1.2).

The annual result amounts to mEUR -44.0 (previous year: mEUR -0.6). No distributions were made in the 2019 financial year from the net retained profits of the previous year.

# Assets and financial position

As of 31 December 2019, the balance sheet total of MAX Automation SE stood at mEUR 238.8. This corresponds to a decrease of mEUR 5.3 to the reporting date of the previous year (mEUR 244.1).

Receivables and other assets were up from mEUR 125.4 to mEUR 139.6. This includes mEUR 114.0 from

receivables from subsidiaries from syndicated financing (previous year: mEUR 97.5). Cash and cash equivalents amounted to mEUR 5.0 on the reporting date (previous year: mEUR 8.3).

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MAX Automation SE reports equity of mEUR 65.3 as of 31 December 2019 (previous year: mEUR 109.3). The equity ratio was 30.1% (previous year: 44.8%).

Liabilities to banks as of 31 December 2019, were up from mEUR 74.0 to mEUR 119.9. These have a term until 2022 or 2024 including an extension option. As of 31 December 2019, liabilities to subsidiaries amounted to mEUR 37.2, compared to mEUR 51.3 in the prior year, and mainly comprise loans/contributions granted.

The asset, financial and profit situation of MAX Automation SE is in order.

# NON-FINANCIAL GROUP REPORT ACCORDING TO SECTION 315B HGB

The non-financial group report according to Section 315B HGB of MAX Automation SE is based on the standard of the German Sustainability Code and provides information in a separate non-financial report about the companies listed in accordance with sections 289 a-e HGB in conjunction with Section 315 b-c HGB.

The separate non-financial report of MAX Automation can be viewed on the Internet under the link <a href="https://www.maxautomation.com/en/about-maxauto-mation/sustainability/">www.maxautomation.com/en/about-maxauto-mation/sustainability/</a> and is deposited in the Federal Gazette.

In its meeting on 10 March 2020, the Supervisory Board of MAX Automation dealt intensively with the structure and content of the separate non-financial report. Subsequent to detailed discussion and examination, the Supervisory Board approved the separate non-financial report of MAX Automation SE. Following the successful reorientation of the MAX Group, the Supervisory Board declared aim is to further underpin sustainability reporting with defined performance indicators in the coming years.

The auditing company PriceWaterhouseCooper GmbH was not assigned to audit the separate non-financial report of MAX Automation SE.

# DISCLOSURES PURSUANT TO SECTION 315A (1) HGB AND SECTION 289A (1) HGB

(also the explanatory report of the Supervisory Board pursuant to Section 48 (2) sentence 2 SEAG in conjunction with Section 176 (1) sentence 1 AktG)

Pursuant to Section 289a (1) and Section 315a (1) of the German Commercial Code (HGB), listed parent companies are required to provide information in the Group management report on the composition of capital, shareholders' rights and their restrictions, shareholdings and Managing bodies of the company that constitute takeover-relevant information.

The legal representatives of a corporation head-quartered in Germany whose voting shares are admitted to a regulated market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) must provide such information, regardless of whether a takeover bid has been made or is expected. The purpose of the information is to enable potential bidders to obtain a comprehensive picture of the company and of any obstacles to the takeover

In accordance with Section 48 (2) sentence 2 of the European Company Statute Implementation Act (SEAG) in conjunction with Section 176 (1) sentence 1 of the German Stock Corporation Act (AktG), the Supervisory Board must make an explanatory report available to the Annual General Meeting on the information provided. The disclosures pursuant to Sections 315a (1) HGB and 289a (1) HGB are summarized below together with the corresponding explanations in accordance with Section 48 (2) sentence 2 SEAG in conjunction with Section 176 (1) sentence 1 AktG.

#### a) Composition of the subscribed capital

The subscribed capital (share capital) of MAX Automation SE amounts to 29,459,415 euro and is divided into 29,459,415 no-par shares, each of which grants the same rights, particularly the same voting rights. Each share grants one voting right in this respect. The shares are registered shares. There are no different classes of shares. Each

no-par share has a notional amount in the share capital of 1.00 euro each. The company currently holds no treasury shares. MAX Automation SE is listed on the stock exchange (Prime Standard segment of Deutsche Börse AG).

#### b) Restrictions on voting rights and transfer

The Supervisory Board is not aware of any restrictions affecting voting rights or the transfer of shares.

#### c) Shareholdings in capital exceeding 10% of the voting rights

To the knowledge of the Supervisory Board and on the basis of notifications received by the company under securities trading law, there is an interest in the share capital of MAX Automation SE that exceeds 10% of the voting rights. Orpheus Capital II GmbH & Co. KG, domiciled in Hamburg, holds [34.92]% of the voting rights in MAX Automation SE. The voting rights are attributable to Mr. Oliver Jaster via Günther SE with domiciled Bamberg, Günther Holding SE domiciled in Hamburg and Orpheus Capital II Management GmbH domiciled in Hamburg.

Further details are explained in the notes to the financial statements in the overview under "Notifiable shareholdings pursuant to Section 160 (1) no. 8 AktG".

# d) Shares with special rights conferring controlling powers

There are no shares with special rights conferring controlling powers.

#### e) Voting rights control for employee participation

The Supervisory Board is not aware of any employees holding an interest in the capital of the Company who do not directly exercise their control rights.

# f) Appointment and dismissal of Managing Directors and amendments to the Articles of Association

At MAX Automation SE, as a company with a monistic corporate governance and control structure, the disclosure obligation pursuant to Section 48 (2) sentence 2 of the SEAG and Section 176 (1) sentence 1 of the AktG in conjunction with Section 289a (1) no. 6 of the HGB and Section 315a (1) no. 6 of the HGB relating to the appointment and dismissal of members of the Management Board relates to the Managing Directors. Their appointment is governed by Art. 43 SE Regulation

and Section 40 SEAG. According to Section 11 (1) sentence 1 of the Articles of Association, MAX Automation SE has one or more Managing Directors; this applies irrespective of the amount of the share capital. According to Section 11 (2) sentence 1 of the Articles of Association, the Supervisory Board shall determine the number of Managing Directors. The appointment and dismissal of the Managing Directors is carried out in accordance with the statutory provisions of Section 40 (1) sentence 1 and (5) sentence 1 of the SEAG in conjunction with Section 11 (2) and (4) of the Articles of Association. Accordingly, with the exception of a legal replacement appointment pursuant to Section 45 of the SEAG, the Supervisory Board alone is responsible for the appointment and dismissal of Managing Directors.

According to Section 11 (3) sentence 1 of the Articles of Association, the Supervisory Board shall appoint Managing Directors for a maximum of five years. According to Section 11 (3) sentence 2 of the Articles of Association, reappointment is permitted for another maximum of five years. Pursuant to Section 11 (2) sentence 2 of the Articles of Association, the Supervisory Board may appoint an Managing Director as Chairman and an Managing Director as Vice Chairman of the Managing Directors.

The maximum possible appointment period of five years is not the rule for initial appointments. Pursuant to Section 11 (4) of the Articles of Association, in deviation from Section 40(5) SEAG, the appointment may only be revoked for good cause within the meaning of Section 84 (3) AktG or in the event of termination of the employment contract, for which in each case a resolution of the Supervisory Board is required with a simple majority of the votes cast.

Pursuant to Art. 59 SE Regulation, Section 51 SEAG and Section 17 (1) sentence 2 of the Articles of Association, the amendment of the Articles of Association of MAX Automation SE requires a majority of two thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast, unless mandatory legal provisions require otherwise. Furthermore, pursuant to Section 179 (2) sentence 2 AktG in conjunction with Section 17 (1) sentence 3 of the Articles of Association, a simple majority of the capital represented is sufficient, unless the law

mandates a larger capital majority. If not all of the share capital is represented at the Annual General Meeting, it is conceivable that a shareholder with less than 50% of the voting rights may use his or her own votes to push through certain amendments to the Articles of Association. Pursuant to Section 22 (6) SEAG and Section 179 (1) sentence 2 AktG in conjunction with Section 17 (2) of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that merely affect the wording. Otherwise, the statutory provisions of Art. 57 and 59 of the SE Regulation and Section 51 of the SEAG apply.

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#### g) Powers of the Supervisory Board to issue and buy back shares

Pursuant to Article 5 (7) of the Articles of Association, the Supervisory Board is authorized to increase the share Capital of the Company once or several times until 17 May 2024, by up to a total of 4,418,812.00 euro by issuing new bearer shares in return for cash contributions (Authorized Capital 2019).

The shareholders are fundamentally entitled to a subscription right. The shares should be underwritten by banks or other entities that fulfill the prerequisites of Section 186 (5) (1) of the German Stock Corporation Act (AktG) with the obligation to offer them for subscription to the shareholders. However, the Supervisory Board is authorized to exclude this subscription right for shareholders for fractional amounts;

if the new shares are issued at a price that is not substantially less than the stock market price, and the shares issued pursuant to Section 186 (3) (4) AktG, subject to the exclusion of the subscription right, do not exceed a total of 10% of the share capital, specifically neither at the time this authorization takes effect nor at the time that it is exercised

The sum total of shares issued in return for cash, subject to the exclusion of the subscription right, may not exceed a proportionate amount of the capital stock of 2,945,941.00 euro. This limit should include shares that are to be issued to service conversion rights or warrants or conversion obligations from bonds (including participation rights) provided that the bonds or participation rights are issued during the term of

this authorization subject to the exclusion of the subscription right.

The Supervisory Board has not yet made use of the authorization pursuant to Section 5 (7) of the Articles of Association (Authorized Capital 2019).

# h) Material agreements of the company subject to change of control

MAX Automation SE is the borrower of a syndicated loan. In the event of a change of control, the lenders are entitled to demand early repayment of all balances plus interest, commission and all other amounts due within 15 days. The prerequisite for a change of control is that one person or a group of persons acting jointly (with the exception of Oliver Jaster or companies in which he holds a majority interest) directly or indirectly owns 50% or more of the shares and/or voting rights in MAX Automation SE; for information on the utilization of the loan, please refer to the notes to the consolidated financial statements in the section "Long-term loans". There are no other material agreements of the Company that are subject to the condition of a change of control following a takeover bid.

#### i) Compensation agreements in the event of a change of control

At MAX Automation SE, as a company with a monistic corporate governance and control structure, the disclosure obligation pursuant to Section 289a (1) No. 9 of the HGB with regard to the disclosure of compensation agreements of the parent company that have been concluded with the members of the Managing Board in the event of a takeover bid relates to the Managing Directors. The company has no compensation agreements with the Managing Directors or employees in the event of a takeover bid.

# CORPORATE GOVERNANCE STATEMENT (SECTION 289F HGB AND SECTION 315D HGB)

The Corporate Governance Statement required under Section 289f HGB and Section 351d HGB was issued

by the Supervisory Board in February 2020 and can be accessed on the Internet under the following link: www.maxautomation.com/en/investor-relations/corporate-governance/. The Company also published a Corporate Governance Report in connection with the Corporate Governance Statement. The Corporate Governance Report is included in the 2019 Annual Report.

### DEPENDENCY REPORT

Statement on the report issued by the Managing Directors on relations with affiliated companies pursuant to Section 312 AktG

In the financial year of 2019, MAX Automation SE was a controlled enterprise, as defined in Section 17 AktG, of Günther Holding SE, Hamburg, Germany. The Managing Directors of MAX Automation SE have therefore prepared a report on relations with affiliated enterprises in accordance with Section 312 (1) AktG which contains the following concluding statement:

"We declare that, in the legal transactions and actions undertaken from 1 January to 31 December 2019 and listed in the report on relations with affiliated companies, the Company received appropriate consideration for each legal transaction in accordance with the circumstances known to us at the time at which the legal transactions were carried out or the actions taken or omitted. To the extent that the Company has been disadvantaged as a result, it has been granted a legal claim to an adequate benefit by way of compensation before the end of the financial year of 2019. The Company has not been disadvantaged by the fact that actions were taken or omitted."

# REPORTING ON BOARD MEMBERS' COMPENSATION

# Remuneration of the Supervisory Board

The remuneration of the Supervisory Board for 2019 was kEUR 273 (kEUR 232). In addition to reimbursement of their expenses, the Chairman of the Supervisory Board will receive kEUR 120, the Vice Chairman of the Supervisory Board kEUR 60 and the

remaining members of the Supervisory Board, with the exception of the Managing Director, kEUR 40 after the end of the fiscal year. For the individual members of the Supervisory Board, this resulted in the following remuneration for the 2019 fiscal year:

in kEUR	Fixed rer	nuneration	Consu	Itancy services	Total	
	2018	2019	2018	2019	2018	2019
Gerhard Lerch, Chairman (until 31/12/2018)	132	0	0	0	132	0
Dr. Christian Diekmann, Chairman (from 18/05/2019)	0	75	0	27	0	102
Dr. Jens Kruse, Deputy Chairman (from 01/01/2019 until 17/05/2019 Chairman)	60	83	0	0	60	83
Dr. Ralf Guckert (from 25/01/2019, until 17/05/2019 Deputy chairman)	0	48	0	0	0	48
Oliver Jaster	40	40	0	0	40	40

The above table includes fixed remuneration for the Supervisory Board mandates of Vecoplan AG for Mr. Lerch in the amount of kEUR 12 for the 2018 fiscal year.

The members of the Supervisory Board received no loans or advances in the 2019 fiscal year.

# **Compensation report**

The remuneration system of MAX Automation SE is based on the principles of appropriateness and sustainability. The amount of the total remuneration takes into account in particular the duties of the Managing Director, his personal performance, the economic situation, the success and future prospects of the company including the market environment, the wage and salary structure in the company and the remuneration in other companies of comparable size and industry.

The total remuneration of the Managing Directors includes non-performance-related and performance-related components. The objectives set by the Supervisory Board as part of the performance-related remuneration components are designed to provide sustainable and long-term performance incentives to increase the profitability and value of the MAX Group as a whole, thereby generating added value for all stakeholders.

The overall remuneration structure is geared towards sustainable corporate development. Fixed remuneration accounts for a significant proportion of the total remuneration. The performance-related remuneration components also include some with a multi-year assessment basis. Their proportion is becoming increasingly important due to the length of the assessment period with an annual grant. The employment contracts of the Managing Directors

contain provisions under which an appropriate reduction in remuneration is permissible if the situation of the company deteriorates to such an extent that the continuation of remuneration would be unreasonable. The remuneration regulations also have a cap on both the performance-related components and the total remuneration.

The non-performance-related parts of the remuneration consist of a fixed remuneration in the form of the annual fixed salary, which is paid monthly on a pro rata basis, and ancillary benefits (including the use of a private use of company car, insurance premiums and rent subsidies for housing). The performance-related remuneration consists of a one-year variable remuneration (Short Term Incentive Plan "STIP") and a multi-year variable remuneration (Long Term Incentive Plan "LTIP"). STIP is granted annually and LTIP is granted after the end of the respective terms of three or four years. For the 2019 fiscal year, the Managing Directors will be granted the variable compensation for the entire fiscal year, regardless of whether they take up the position of Managing Director.

Payment of the STIP is linked to the achievement of financial performance targets for the respective fiscal year. The target amount (amount paid out on 100% target achievement) of the STIP was set by the Supervisory Board as a percentage of the annual fixed salary or as a euro amount. In setting the

target amount, the Supervisory Board has taken into ac-count, among other things, the tasks and performance of the Managing Director and his influence on the value chain. The performance targets relate to EBIT and RoCE (return on capital employed), both with regard to the Group. The target values are determined annually at the beginning of the fiscal year by the Supervisory Board, which also sets minimum values below which no payout is made and maximum values above which the payout amount is 150% of the target amount (cap). In this respect, the payout range is between 0% and 150% of the target amount.

Payment of the LTIP is linked to the achievement of financial performance targets that are measured over a period of three or four fiscal years, beginning with the fiscal year in which the respective tranche is granted. As with the STIP, the target amount (amount paid out on 100% target achievement) of the LTIP was set by the Supervisory Board as a percentage of the annual fixed salary or as a euro amount. For the LTIP as well, the Supervisory Board has taken into account, among other things, the tasks and performance of the Managing Director and his influence on the value chain in setting the target amount. The performance targets relate to revenue growth and what is known as "MAX added value", which includes RoCE (return on capital employed), WACC (weighted average cost of capital) and the amount of capital employed, in each case with regard to the Group. The target values are determined by the Supervisory Board at the beginning of the first fiscal year of the three- or fouryear term. As with the STIP, the Supervisory Board also sets minimum values below which no payout is made and maximum values above which the payout amount is 150% of the target amount (cap). The payout range is therefore between 0% and 150% of the target amount for the LTIP as well. The term and the assessment period of the LTIP tranche granted for fiscal year 2019 comprise fiscal years 2019 to 2021 for a three-year term and 2018 to 2021 and 2019 to 2022 for a four-year term. Since the payment amount is not fixed until the end of the respective tranche, the grant is made in the last year of the respective tranche.

In addition, three of the four Managing Directors are granted so-called phantom shares under a three-year LTIP. On 1 July of each fiscal year ("issue date"), the Managing Directors are granted fictitious shares ("phantom shares") for a value determined by the Supervisory Board ("equivalent value"). The phantom shares are not stock options. The number of phantom shares to be granted in each case is calculated as the

quotient of the equivalent value and the arithmetic mean of the closing prices of the MAX Automation SE ordinary share determined in XETRA trading on the Frankfurt Stock Exchange within a period of 90 trading days before the issue date. The phantom shares entitle the Managing Director to receive a gross amount ("phantom share payment") on the settlement date equal to the settlement value multiplied by the number of phantom shares. The settlement value is the arithmetic mean of the closing prices of the MAX Automation SE ordinary share determined in XETRA trading on the Frankfurt Stock Exchange within a period of 90 trading days prior to the settlement date ("settlement value"). The phantom share payment is limited to a maximum amount of twice (200%) the initial value. The fair value of the phantom shares as of 31 December 2019 is kEUR 69 based on the arithmetic mean of the closing prices of the MAX Automation SE ordinary shares within a period of 90 trading days prior to the reporting date. There were no modifications to the existing program in the fiscal year. Liabilities from the program amounted to kEUR 69 as of the reporting date, compared to EUR 0 in the prior year.

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In addition, a special bonus is granted to one of the Managing Directors, which was already agreed upon before he became Managing Director. This special bonus is based on the fact that the Managing Director holds a MAX Automation SE block of shares, the purchase price of which is used as a factor (starting value) for the EBIT development (analogous to an EBIT multiple valuation) of the division for which the Managing Director is responsible. The special bonus is paid out as a long-term incentive at the end of each three-year term.

No other or similar securities-based incentive schemes have been granted to the Managing Directors or employees.

In the event of premature termination of the contract of employment, the Managing Director shall, in principle, receive a termination payment in settlement of his remuneration in the amount of the pro rata annual fixed salary for three months, but in principle no more than the pro rata value of his remuneration entitlements for the remaining term of the contract of employment. There is no entitlement to severance pay if the company is entitled to terminate the contract for good cause or if the Managing Director resigns from office without good cause set by the company. The service contracts do not contain any specific commitments in the event of premature termination of the Managing Director following a change of control.

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The company has made no pension commitments to former or current Managing Directors. There are also no pension commitments to former members of the Management Board of the AG. Accordingly, no provisions had to be formed for this.

The following amounts have been granted to the Managing Directors of MAX Automation SE in the 2019 fiscal year:

kEUR		Daniel Fink, Mana	ging Director (CEO), ur	til 31/03/2019
	2018	2019	2019 (min)	2019 (max)
Fixed compensation	320	80	80	80
Ancillary benefits*	34	7	7	7
Total	354	87	87	87
One-year variable compensation (STIP)	61	51	0	79
Multi-year variable compensation (LTIP)	266	314	0	393
thereof 2016 to 2019 program¹)	0	0	0	189
thereof 2017 to 2020 program <sup>1)</sup>	126	0	0	131
thereof 2018 to 2021 program <sup>1)</sup>	140	0	0	73
Total	681	452	87	559
Pension expense	0	0	0	0
Total compensation	681	452	87	559

<sup>\*</sup>The main ancillary benefits were private use of company car, insurance premiums and rent subsidies for housing.

1) Payment in 2019.

kEUR	Fa	abian Spilker, Mana	ging Director (CFO), u	ntil 31/03/2018
			2019	2019
	2018	2019	(min)	(max)
Fixed compensation	84	0	0	0
compensation	600	0	0	0
Ancillary benefits*	9	0	0	0
Total	693	0	0	0
One-year variable compensation (STIP) <sup>2)</sup>	0	0	0	0
Multi-year variable compensation (LTIP) <sup>2)</sup>	0	0	0	0
thereof 2016 to 2019 program <sup>1)</sup>	0	0	0	0
thereof 2017 to 2020 program <sup>1)</sup>	0	0	0	0
thereof 2018 to 2021 program <sup>1)</sup>	0	0	0	0
Total	693	0	0	0
Pension expense	0	0	0	0
Total compensation	693	0	0	0

 $<sup>\</sup>ensuremath{^{*}}\xspace$  The main ancillary benefits were private use of company car and insurance premiums.

<sup>2)</sup> Offsetting against other remuneration components with retirement in 2018.

kEUR	Andreas Krause, Managing Director (CFO), since 01/03/2018				
		2019	2019		
	2018	2019	(min)	(max)	
Fixed compensation	225	270	270	270	
Ancillary benefits*	24	35	35	35	
Total	249	305	305	305	
One-year variable compensation (STIP)	42	186	0	258	
Multi-year variable compensation (LTIP)	92	92	0	92	
thereof 2018 to 2021 program	92	46	0	46	
thereof 2019 to 2022 program	0	46	0	46	
Total	383	583	305	655	
Pension expense	0	0	0	0	
Total compensation	383	583	305	655	

<sup>\*</sup>The main ancillary benefits were private use of company car, insurance premiums and rent subsidies for housing.

kEUR		Werner Berens	, Managing Direct	or, since 01/05/2019
	2018	2019	2019 (min)	2019 (max)
Fixed compensation	0	153	153	153
Ancillary benefits*	0	23	23	23
Total	0	176	176	176
One-year variable compensation (STIP)	0	210	15	255
Multi-year variable compensation (LTIP)	0	48	0	105
thereof LTIP group 2019 to 2021	0	0	0	15
thereof LTIP Phantom Shares 2019 to 2021	0	24	0	60
thereof LTIP business unit 2019 to 2021	0	24	0	30
Total	0	434	191	536
Pension expense	0	0	0	0
Total compensation	0	434	191	536

<sup>\*</sup>The main ancillary benefits were private use of company car, insurance premiums and rent subsidies for housing.

kEUR		Dr. Guido Hil	d, Managing Director, s	since 01/07/2019
			2019	2019
	2018	2019	(min)	(max)
Fixed compensation	0	93	93	93
Ancillary benefits*	0	11	11	11
Total	0	104	104	104
One-year variable compensation (STIP)	0	59	0	115
Multi-year variable compensation (LTIP)	0	29	0	78
thereof LTIP group 2019 to 2021	0	0	0	13
thereof LTIP Phantom Shares 2019 to 2021	0	20	0	50
thereof LTIP business unit 2019 to 2021	0	9	0	15
Total	0	202	104	297
Pension expense	0	0	0	0
Total compensation	0	202	104	297

 $<sup>\</sup>ensuremath{^{*}}\xspace$  The main ancillary benefits were private use of company car and insurance premiums

kEUR	Pa	trick Vandenrijhn	, Managing Director ,	since 01/05/2019
			2019	2019
	2018	2019	(min)	(max)
Fixed compensation	0	153	153	153
Ancillary benefits*	0	13	13	13
Total	0	166	166	166
One-year variable compensation (STIP)	0	172	15	255
Multi-year variable compensation (LTIP)	0	275	0	340
thereof LTIP group 2019 to 2021	0	0	0	15
thereof LTIP Phantom Shares 2019 to 2021	0	24	0	60
thereof LTIP business unit 2019 to 2021	0	16	0	30
thereof special program 2017 to 2019	0	235	0	235
Total	0	613	181	761
Pension expense	0	0	0	0
Total compensation	0	613	181	761

<sup>\*</sup>The main ancillary benefits were private use of company car, insurance premiums and rent subsidies for housing.

The following amounts or values have accrued to the individual Managing Directors of MAX Automation SE in fiscal year 2019:

in kEUR		Daniel Fink Fabian Spilker naging Director (CEO) Managing Director (CFO) until 31/03/2019 until 31/03/2018		Andreas Krause Managing Director (CFO) since 01/03/2018		
	2018	2019	2018	2019	2018	2019
Fixed compensation	320	80	84	0	225	270
compensation	0	0	600	0	0	0
Ancillary benefits	34	7	9	0	24	35
Total	354	87	693	0	249	305
One-year variable compensation	0	51	0	0	0	40
Multi-year variable compensation	0	314	0	0	0	0
Total	354	452	693	0	249	345
Pension expense	0	0	0	0	0	0
Total compensation	354	452	693	0	249	345

in kEUR	Mana	Verner Berens aging Director ce 01/05/2019	Dr. Guido Hild Managing Director since 01/07/2019		Mar	Patrick Vandenrijhn Managing Director since 01/05/019	
	2018	2019	2018	2019	2018	2019	
Fixed compensation	0	153	0	93	0	153	
compensation	0	0	0	0	0	0	
Ancillary benefits	0	23	0	11	0	13	
Total	0	176	0	104	0	166	
One-year variable compensation	0	0	0	0	0	0	
Multi-year variable compensation	0	0	0	0	0	0	
Total	0	176	0	104	0	166	
Pension expense	0	0	0	0	0	0	
Total compensation	0	176	0	104	0	166	

The Managing Directors received no loans or advances in the 2019 fiscal year. Former Managing Directors of the AG or their surviving dependents did not receive any remuneration in the 2019 fiscal year.

### RISK REPORT

# Risk management system and internal control system

### Scope of application

A Group-wide risk management system (RMS) that complies with the German Law on Control and Transparency in Business (KonTraG) has existed since 2000. This enables potential risks to be identified in good time both in MAX Automation SE as the parent company and in the operating units and suitable countermeasures to be initiated. The risk management system was fundamentally revised in 2009 and has since been continuously adapted to new requirements. In 2018, measures were introduced to restructure risk management and internal control and reporting systems, which were continued in 2019. More extensive procedures have already been initiated for 2020.

#### Goals and principles

The goal of the MAX Group's risk management system (RMS) is the controlled handling of risks. The RMS is based on a systematic process of risk identification, assessment and management that covers the entire Group. The foundation of risk management is safeguarding the medium and long-term corporate goals, in particular maintaining and expanding the market position within the sectors addressed. The primary goal is to identify and appropriately manage the risk drivers through complete and appropriate risk management.

The following risk policy principles are derived from this:

- Risk management is integrated into all major operative business and decision-making processes.
   Risks are primarily managed by the organizational units that operate locally.
- The risk management process serves as a set of tools for the systematic recording, analysis, management and monitoring of risks threatening the company's existence.
- Active and open communication about risks is a key success factor for the RMS. All MAX Group employees are encouraged to actively participate

in risk management within their areas of responsibility.

- The risk assessment is generally conservative, i.e. the maximum expected loss is determined (worst case).
- Central monitoring is carried out by the management company MAX Automation SE.

### Methods and processes

Risk management contains various step-by-step, computer-supported matrices, the aim of which is to deal with risk on the basis of risk identification via risk assessment. In this process, risks are identified, the significance of the risks for the company is determined and a mathematical risk factor is calculated in order to then formulate precisely defined risk management measures in terms of content and timing. A list of examples of risks and a guide for handling the electronic file complete the system.

The reporting interval is based on the quarter. A key element of this standard risk cycle is the risk inventory from the operating units. In it, individual risks are identified, evaluated and condensed, i.e. assigned to one of seven specific risk areas.

The assessment of individual risks is the task of the risk management of the Group companies and MAX Automation. The risk management manual serves as a guide. The evaluation process consists of three steps: First, the damage potential is calculated if possible, i.e. the maximum effect a risk can have on EBIT within the next 24 months. The probability of occurrence of the individual risk is then determined. In the third step, the effectiveness of possible countermeasures is examined and evaluated to determine whether this reduces the risk. Finally, the net risk potential, i.e. the net EBIT risk, remains after taking into account the probability of occurrence and the effectiveness of measures.

The net risks of the seven risk areas are calculated as the sum of all assigned individual risks. Each risk field is assigned to one of the following categories depending on the probability of occurrence:

- Low probability of occurrence < 10 %
- Medium probability of occurrence 10 50%
- High probability of occurrence > 50 %

The net risks of the risk areas add up to the overall risk potential of the Group. Portfolio and correlation effects are not taken into account.

Following the risk inventory, the operating units prepare their respective risk reports. On this basis, MAX Automation's risk management prepares the Group risk report, which provides information on material individual risks and the overall risk and is subsequently discussed by the Managing Directors and the Supervisory Board.

Managing Directors and the Supervisory Board are informed directly about acute risks. The risk managers are responsible for identifying, assessing, controlling and monitoring risks and for reporting. As a rule, these are the heads of the controlling departments of MAX Automation and the Group companies.

# Key features of the risk management system for the financial reporting process

A key component of the internal control system (ICS) is the reporting system, which is constantly being further developed by MAX Automation as part of value-oriented reporting.

To ensure uniform treatment and valuation of accounting-related topics, the MAX Automation accounting manual is available to all companies. The accounting manual is updated regularly. It comprises all regulations, measures and procedures that ensure the reliability of financial reporting with reasonable assurance and that the financial statements of the Group and Group companies are prepared in accordance with IFRS.

Overall responsibility for the RMS / ICS lies with the Managing Directors. They have established a clearly defined management and reporting organization for the RMS / ICS that covers all organizational and legal units. Monitoring is carried out on a random basis by the accounting and controlling departments of MAX Automation.

The most important tools and control and safety routines for the accounting process are:

 The MAX Group is characterized by a clear organizational, corporate and control and monitoring structure.  Coordinated Group-wide planning, reporting, managerial accounting and early warning systems and processes as well as catalogs of transactions requiring approval or reporting are in place for the comprehensive analysis and management of earnings-relevant risk factors and risks threatening the existence of the company. 46

- The functions in all areas of the accounting process (such as financial accounting and managerial accounting) are clearly assigned.
- An adequate internal guideline system (consisting of a Group-wide risk management guideline and an accounting manual among other things) has been established and will be adapted as necessary.
- The IT systems used in accounting are protected against unauthorized access. Standard software is predominantly used for the financial systems employed.
- The standard consolidation software LucaNet is used, which is also used for the preparation of Group-wide medium-term planning.

Only selected employees receive access authorization to the consolidation system. Only a small group of employees from Group accounting and managerial accounting has access to all data. For other users, access is limited to data relevant to their activities.

The procedure is as follows:

- At monthly intervals, the subsidiaries report to the parent company on the performance from the past month and the current financial year. This procedure is supplemented at least quarterly by an updated forecast.
- All reports are subjected to a critical target/actual analysis. An additional report from Management comments on deviations from the plan, provides information on measures taken to meet the plan, developments in the current reporting month and other topics such as market and competitive conditions, investments, financing and legal matters. Verbal explanations supplement the report.
- The Managing Directors also hold regular discussions with the Managing Directors of the Group companies in order to review the business performance in comparison with the plans and, if necessary, to initiate measures to meet the plans.

- Operative corporate planning is an essential component of the RMS. At the end of each fiscal year, the Managing Directors of the Group companies present the current course of business and explain the further corporate strategy. The discussions are based on the corporate strategy and the fiveyear plans for business development, investments and liquidity development based on this strategy. Corporate planning helps to identify and assess potential opportunities and risks long before major business decisions are made.
- Material accounting processes are subject to regular analytical reviews. The existing Group-wide RMS is continuously adapted to current developments and its functionality is reviewed on an ongoing basis. The system was examined by the auditor PricewaterhouseCoopers GmbH, Düsseldorf, Germany, during the audit of the consolidated financial statements.
- The Supervisory Board regularly deals with key issues from the RMS.

The accounting-related ICS was optimized and further developed in 2018 as part of the "Next Level Corporate Reporting" project. This process was continued in 2019.

The RMS / ICS also includes regular training of all employees. Among other things, workshops are held

on the application of accounting standards (e.g. IFRS 15 and IFRS 16), accounting rules and software tools. In the case of corporate acquisitions, accounting processes are adapted quickly and new employees are familiarized with all relevant processes, content and systems.

Finally, it should be noted that neither the RMS nor the ICS can provide absolute certainty, since even if the necessary care is taken, the establishment of appropriate systems can be fundamentally flawed.

#### Overall risk situation

The Group's total risk potential amounted to around mEUR 6.6 at the end of 2019 (prior year: mEUR 7.4). This includes the net risk potential of 36 (prior year: 30) quantifiable individual risks. In addition, there were 170 (prior year: 207) unquantifiable individual risks. In view of the business volume and the overall economic situation, the overall risk potential is considered to be appropriate and easily manageable At present, no risks have been identified that could endanger the existence of the Group either separately or in interaction with other risks.

Nearly half of the total risk potential is attributable to the risk field of "financial risks", which, however, are assessed with a probability of occurrence of less than 10%.

Corporate risks	Probability of occurrence	Possible finan- cial impact	Risk situation for 2019 compared to the previous year
Strategic risks	low	minor	equal
Market risks and economic risks	possible	minor	equal
Risks from business activities, project risks	possible	significant	equal
Financial risks, tax risks	possible	significant	equal
Legal risks	low	minor	equal
Risks from equity investments	low	significant	equal
Other risks (e.g. IT, personnel, environment)	possible	minor	equal

Specification of the potential financial impact on the consolidated result or consolidated EBIT minor (< kEUR 400), moderate (from kEUR 400 to mEUR 1.3), significant (> mEUR 1.3)

# Risk reporting

#### Risk areas and significant individual risks

 Market risks and economic risks: All MAX Group companies are exposed to market and economic risks, i.e. geographical and industryspecific economic trends, political (e.g. BREXIT, protectionism, trade wars) and financial changes (e.g. banking crisis), commodity prices and exchange rates influence the course of business and may adversely affect the future success of the Group companies. In principle, the business development of the operating units is strongly linked to the development of the overall economic environment. MAX Automation is divided into three core business areas. A high degree of specialization and a strong position within attractive market niches reduce both the industry risk and the general economic risk. The risk is also reduced by diversification into other sectors such as medical technology. The initiated sales process of the companies from the non-core business (the former Mobility Automation segment) will greatly reduce the dependency on the automotive economy in the future. In principle, however, market and economic risks cannot be ruled out.

As of 31 December 2019, the MAX Group had an order backlog of mEUR 199.5 (previous year: mEUR 260.3), which provides a time buffer to counteract market and cyclical risks.

• Risks from business activities, project risks: Due to the scale of individual projects, MAX Automation sees a possible risk in project planning and project execution. Technical misjudgments and/or delays can occur, especially in larger projects. The fact that this can have a significant impact on the operating result was particularly evident in 2018, when the earnings forecast for the entire MAX Group had to be adjusted through an ad hoc announcement on 28 June 2018, due to expenses from ongoing projects of the subsidiaries of the IWM Group.

MAX Automation counteracts the risk of misjudgments through a Group-wide project-related risk management approach. The goal is to consciously deal with risks at all management levels of the Group.

• **Financial risks:** By means of a new syndicated loan agreement, Group financing was switched from bilateral bank accounts of the individual Group

companies to uniform Group financing in 2015 and adjusted again in 2018 in favor of MAX Automation. The covenants agreed with the Group's lending banks have a direct impact on the interest margin and give the banks a special right of termination in the event of non-compliance. These are based on balance sheet and earnings figures from the consolidated financial statements prepared in accordance with IFRS. There is regular communication with the lending banks and guarantee insurers. In 2019, MAX Automation adhered to all the covenants agreed with the lending banks or the review was suspended beginning in the third quarter. The counterparty default risk is limited by the fact that banking transactions are concluded exclusively with reputable banks.

- The contract for the sale of the former Group company NSM Packtec GmbH ("Finnah Packtec) provides for what is known as loss sharing on the basis of the EBITDA 2018 of Finnah Packtec (earnout clause), whereby the risks that this will result in payment claims against MAX are estimated to be very low.
- There are risks from the ongoing sales and closure processes of companies in the non-core business (formerly Mobility Automation). Risks may arise if sales and closure processes are not completed as planned, the sales prices are below the book value of the companies or expenses for critical projects still in progress in the companies exceed the provisions made.

#### Other risks

- Loss of efficiency due to non-uniform ERP systems: The Group companies all have different ERP systems. This leads to efficiency losses, especially with regard to uniform processes and possible synergy effects (e.g. purchasing). The medium-term introduction of a uniform ERP system at the level of the business segments is currently being examined.
- **Portfolio measures:** The planned divestments involve the risk of not being able to sell the business activities as planned. This could have a negative impact on the business, assets and liabilities, earnings situation and reputation.

As part of the audit for the 2019 fiscal year, the auditor examined the risk management system of the SE and the Group. The auditor has come to the

conclusion that the system is suitable to meet the legal requirements for risk management.

# Changed assessment of risks after the end of the reporting period

#### Effects of SARS-Cov-2 (Coronavirus)

The World Economic Forum (WEF) regards epidemics such as the outbreak of the Coronavirus infection (COVID-19) both as an independent business risk and as an impact on existing opportunities and risks. The outbreak of COVID-19 was first detected at the end of 2019 in a densely populated production and transport center in central China. The global pandemic spread worldwide via the Chinese New Year and international travel after the end of the reporting period.

According to the WEF, it is within the realms of possibility overall that the growth of the Chinese economy will slow down by 0.5 percentage points in 2020 as a result of the production losses caused by COVID-19. The global economy would thus lose at least 0.1 percentage points. According to the WEF, industrialized nations and emerging markets with a high dependency on China would be particularly affected. Resilience to the effects of COVID-19 is further complicated in individual countries by structural weaknesses in economic and health systems.¹

Especially for companies for which China is an important production site and/or central sales market, risks result from COVID-19.2 The impact of production delays on the earnings performance of companies cannot yet be estimated after partial interruptions of the supply chains. For companies, the risk exposure decreases depending on the existing demand and the existing order backlog. Meanwhile, manufacturing sectors such as the automotive industry in particular are gradually resuming operations.<sup>3</sup> For the German Institute for Economic Research (DIW), the export-dependent German industry would be particularly affected by a continued global spread of the virus. According to the DIW, the "Corona effect" on mechanical engineering and the automotive industry is still unclear and cannot be quantified.4

MAX Automation currently expects only a minor influence on its future earnings. However, delays in order placement, comissionings or due to bottlenecks in logistics cannot be ruled out.

# Explanatory report on the disclosures in accordance with Section 315 (4) HGB and Section 289 (4) HGB

#### Subject of the report

According to the explanatory memorandum on the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - BilMoG), which entered into force on 29 May 2009, the internal control system embraces the principles, procedures and measures required to ensure effective, due and proper account- ing practices and to ensure compliance with the relevant legal provisions. This also includes the internal auditing system insofar as it relates to the accounting procedures.

With regard to the accounting process, the risk management system, as part of the internal control system and like the latter, relates to accounting oversight and monitoring processes, especially for balance sheet items hedging the risks to which the enterprise is exposed.

### Key features of the internal control system and of the risk management system with regard to the accounting process

The key features of the existing internal control system at MAX Automation SE and of the risk management system with regard to the (Group) accounting process are detailed at length in the risk report section.

# Explanation of the key features of the internal control system and of the risk management system with regard to the accounting process

The internal control and risk management system with regard to the accounting process, the main features of which are outlined above, ensures that business matters are correctly recorded, presented and recognised in the balance sheet and so transferred to the external accounts.

<sup>1</sup> https://www.weforum.org/agenda/2020/02/why-is-coronavirus-a-global-business-risk/

<sup>2</sup> https://www.finance-magazin.de/wirtschaft/fx-weltwirt-schaft/gibt-corona-der-china-konjunktur-den-rest-2052831/3 https://www.finance-magazin.de/wirtschaft/fx-weltwirt-schaft/gibt-corona-der-china-konjunktur-den-rest-2052831/4 https://www.diw.de/de/diw\_01.c.740859.de/diw\_konjunktur-barometer\_februar\_\_industrierezession\_setzt\_sich\_unabhaen-gig\_vom\_corona-virus\_fort.html

The clear organisational, corporate and control and monitoring structure as well as the qualified equipment of the accounting department in terms of personnel and materials form the basis for efficient work in the areas involved in accounting. Clear legal and internal guidelines and directives ensure a uniform and proper accounting process. Clearly defined review mechanisms within the divisions involved in the accounting process itself and early risk identification by risk management ensure coherent accounting.

The internal control and risk management system of MAX Automation SE ensures that the accounting at MAX Automation SE as well as at all companies included in the consolidated financial statements is uniform and in accordance with legal and statutory requirements as well as internal guidelines. In particular, the uniform group risk management system, which fully complies with legal requirements, has the task of recognizing risks in time, evaluating them and communicating them appropriately. In this way, accurate, relevant and reliable information is made available to the respective addressees in a timely manner.

The risk management and internal control system of the Group was restructured in 2018. This process, which is designed to optimise the reporting and controlling instruments, will be continued in 2020.

# **Opportunities Report**

The business units of the MAX Group serve various megatrends that are benefiting worldwide from the dynamic technological development in the course of digitalization as well as from changes in the political and social arena. This strategic positioning of the Group opens up numerous opportunities that can have a positive impact on the course of business.

MAX Automation's long-term strategy is to focus on several promising and high-margin growth areas, to increase its presence and local value creation in attractive foreign markets and to develop innovative service offerings in networked production. This is to be accompanied by a reduction in the volatility of order intake, operational excellence in project execution, the expansion of the service business and the increased use of existing synergies within the Group.

Uniform standards for risk management and controlling within the Group are of major importance in

this respect. To this end, binding reporting and controlling instruments apply to all Group companies.

#### **Opportunity Management**

MAX Automation understands opportunities as the possibility of a positive target deviation due to events or developments. Opportunity management encompasses all measures of systematic and transparent handling of entrepreneurial potential. For this purpose, the Managing Directors of MAX Automation SE enter into a strategic dialog with the management of the Group companies. The basis for this is a structured and Group-wide standardized process, in the course of which not only operational potential but also the implementation of strategies, including the presentation of opportunities and risks from relevant market and technology trends, are discussed in joint review meetings.

Subsequent to the strategic dialog, all companies identify opportunities in their operational planning and monthly reporting in order to better assess and evaluate the current earnings and liquidity situation.

All decision-makers are involved in opportunity management-from the Managing Directors of the MAX Group to the management of the Group companies and division and project managers. The process is supported by the holding function "Corporate Development".

Due to the integral connection with the strategy, planning and reporting processes, opportunity management is an essential part of the strategic and value-oriented corporate management of MAX Automation.

#### Market and competitive opportunities

MAX Automation is active in the Process Technologies business unit in various markets in which the Group expects significant opportunities combined with overarching growth drivers:

In industrial production, the degree of automation and the requirements for efficient processes - especially with regard to ever-increasing networking - are constantly increasing. This development is based on several trends. In the automotive industry, this concerns, among other things, the increasing demand for high-performance driver assistance systems through to autonomous driving, as well as growing demand for microelectronics. At the same

time, due to political requirements and increased environmental awareness among the population, society has set itself the social goals of sustainably reducing  $\mathrm{CO}^2$  emissions from conventional combustion engines and developing powerful electric drives.

MAX Automation operates as a specialist for proprietary mechanical engineering processes, including dosing technology, hot riveting, plasma treatment and impregnation technology. bdtronic, for example, offers solutions for bonding and sealing adaptive speed control in vehicles and with its impregnation technology offers unique process competence and experience in impregnating electric and hybrid engines for high production volumes.

MAX Automation estimates that the Environmental Technologies business unit offers the following significant growth opportunities:

Climate protection, the conservation of natural resources and the recycling of residual materials, thereby returning them to the reusable material cycle as well as for energy recovery are becoming increasingly important worldwide. The generally heightened environmental awareness among the public as well as economic and social changes, such as the strong growth of the metropolitan areas in Asia, for example, are leading to a steadily increasing demand for powerful and innovative solutions for the environmentally friendly disposal of waste and the efficient processing of residual materials.

With the Vecoplan Group established in the market, the MAX Group has many years of expertise in the development, production and maintenance of individual components and system solutions for the efficient recycling and processing of primary and secondary raw materials. This gives the Group the opportunity to benefit from the continuously increasing demands make on climate and environmental protection.

There are political guidelines on environmental protection and recycling of residual and valuable materials at regional, national and international level with increasing requirements. A milestone in this development was the third United Nations Environment Assembly (UNEA) in December 2017, at which more than 100 participating countries committed themselves to "a planet without pollution". At the same time, there have already been binding targets

for years, for example in the European Union (EU) to reduce carbon dioxide emissions or in North America in the form of the so-called zero waste programs of local authorities.

Overall, the Group expects demand for efficient reprocessing solutions to increase. In doing so, it pursues the goal of further developing existing solutions in materials recycling and thus adapting them to increasingly complex challenges in individual regional markets.

In the Evolving Technologies business unit, opportunities arise in particular in the areas of medical technology and optoelectronics:

The medical technology industry is characterized by global trends such as general medical progress, growing health awareness in society, the individualization of therapy involving so-called digital e-health solutions, or the desire of patients for more freedom in therapy, for example in the form of self-medication. At the same time, the medical technology market has high barriers to entry in the form of qualitative, technological and regulatory requirements for manufacturers, which enables trusting and long-term customer relationships.

With MA micro automation in particular, MAX Automation has specialized competencies and the necessary technological prerequisites to meet the numerous requirements in medical technology. This is proven by the increasing number of customers, which is a good starting point to participate in the growth of the market.

AIM Micro's technologies and processes for the production of optoelectronic modules serve the largest and fastest-growing application areas in the photonics industry, including wafer saws for the production of silicon semiconductors or industrial image processing for quality assurance in production engineering.

The MAX Group commands extensive, in-depth knowledge and technologies to successfully accompany and shape developments in Industry 4.0 and automation. It should be noted that the Group has an expanding installed base as sales of plant and machinery continue to grow, thereby increasing the potential in the service business. The Group companies take this into account through their expertise in the maintenance and remote maintenance business.

In their international business, the MAX companies are experiencing increased demand for production close to the market and local presence for service and sales. Consequently, the Group has locations in Europe, North America and Asia as well as a worldwide network of sales and service partners. In this way, the Group ensures comprehensive customer support and opens up additional opportunities in order acquisition.

### Opportunities from synergies

In addition to the respective growth drivers in the three core business units, the MAX Group perceives opportunities in the exploitation of synergies between the Group companies. These include the bundling of activities in the areas of purchasing (purchasing volumes and benchmarking in favor of purchasing advantages) and financing or, for example, a transfer of know-how and technology as well as best practices in joint projects and the development of new applications.

One of MAX Automation's goals is to increase the value added in the group by specifically advancing the supply and service relationships between the Group companies. To a limited extent, there are also opportunities to exploit sales synergies through project-based cooperation within the Group.

#### Financial opportunities

Opportunities will arise from the project business of the former Group company NSM Packtec GmbH, which was sold on 9 March 2018. For an order for the company currently operating under the name Finnah Packtec Gmbh ("Finnah Packtec"), contract fulfillment and advance payment bonds were granted on the part of the MAX Group which were claimed by a customer of Finnah Packtec amounting to mEUR 3.973 in late December 2018. By filing charges on 12 August 2019, MAX Automation has asserted the claim for indemnity for amounts paid of these mEUR 3.973 plus interest towards Finnah Packtec before the Münster District Court. The prospects of full success in this legal dispute and of being awarded the reimbursement of expenses are assessed as very high. In January 2020, Finnah Packtec filed an application to initiate insolvency proceedings on its assets. At the time of reporting, it is not yet possible to estimate whether such proceedings will be initiated and, if so, what the repayment rate of insolvency claims will be. Therefore, an arbitration action is being prepared

in parallel against the owner of Finnah Packtec in order to increase the chances of repayment of the advance payment bond.

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With the files charged on 22 August 2019, MAX Automation also asserted claims for payment and information against Finnah Packtec at the Dusseldorf District Court. The lawsuit is based on an agreement dated 8 March 2018, between the MAX Group and Finnah Packtec regarding the assignment of customer claims, which was made to MAX Automation for the repayment of shareholder loans. At the end of 2019, receivables of mEUR 4.8 were still outstanding, which were written off as of 31 December 2019. All incoming payments are therefore to be seen as an opportunity. The prospects of success in this trial are considered to be highly likely.

### **OUTLOOK**

### Overall economic environment

According to the Kiel Institute for the World Economy (IfW), the global economy will not lose further momentum in 2020, although the increase in production will remain modest at 3.1% (2019: 3.0%). This corresponds to a forecast reduction of 0.1 percentage points compared with September 2019. In view of the high capacity utilization in the advanced economies and the expansion rates of the global economy, the IfW does not believe that the economy is in a pronounced state of weakness, although economic growth in the advanced economies is expected to remain weak. Accordingly, the euro area and Japan will benefit from a renewed expansionary monetary policy stance and a slight upturn in world trade, while in the United States the fiscal stimulus will taper off. In a large number of emerging markets, production is expected to expand only slightly due to the lack of a global economic tailwind and structural problems. Although the easing of US monetary policy stabilized the framework conditions for economic development in the emerging economies, the only moderate demand dynamics in the advanced economies and the slowdown in economic development in the People's Republic of China will stand in the way of a rapid recovery.1

According to forecasts by the IfW, the pace of expansion in the euro zone will increase slightly in

<sup>1</sup> https://www.ifo.de/sites/default/files/2020-01/ sd-2019-24-wollmershaeuser-etal-konjunkturprognose-winter-2019-12-19\_0.pdf

2020, after the export economy is expected to regain momentum once world trade picks up. With a stabilization of production in the manufacturing sector, economic development will pick up again in the course of 2020. Nevertheless, the IfW expects economic growth in the euro zone in 2020 to only match the previous year's level (2019: 1.2%) and only in 2021 to return to a stronger increase of 1.5%.<sup>2</sup>

For Germany, the Kiel Institute for the World Economy (IfW) also expects a gradual revival of growth in 2020 with an increase in gross domestic product (GDP) of 1.1% (2019: 0.5%). According to this, the decline in industrial production is being followed by a bottoming out and slight growth. The IfW perceives an upward trend, particularly in foreign business.<sup>3</sup>

# Development of relevant industries

The German Engineering Federation (VDMA) does not anticipate any new momentum for industry companies in 2020 and expects a further decline in production at the previous year's level (2019: 2%). The order books in the industry are only expected to fill up again in the course of the year and, due to technical start-up times, will not lead to renewed production growth before the second half of the year. The VDMA expects exports to the USA to be less dynamic in 2020, which could benefit from the impetus of the corporate tax reform in 2019.1 All in all, the VDMA considers a renewed decline in exports for the whole of 2020 to be probable in view of the order intake of mechanical engineering companies at the beginning of the year. According to the VDMA, the effects of the corona epidemic in China on global exports cannot yet be estimated, even though the fundamental importance of the Chinese market for the German mechanical and plant engineering industry remains unchanged.<sup>2</sup>

After the end of a decade of records, the Robotics + Automation sector suffered a significant setback in the past fiscal year (2019: -5%). According to the VDMA Robotics + Automation Association, there is no trend

reversal in sight in this innovation and growth industry with a further decline in industry sales of -10% forecasted for 2020. In addition to the weak global economy, saturation effects will therefore continue to make themselves felt in important markets. Uncertainty in customer industries, such as the transformation of the automotive industry, is expected to lead to investment reticence. The VDMA Robotics + Automation is convinced that robotics and automation will return to its growth course in the medium term as a key technology for optimizing production and as a guarantee for high quality and sustainability standards.<sup>3</sup>

According to the German Association of the Automotive Industry (VDA), the subdued development of the global economy will present further challenges for the international passenger car markets in 2020. Accordingly, suppliers will feel the economic headwind more strongly than manufacturers after a long period of growth. As a result of the lack of growth impetus, the VDA expects a 1% decline in sales in the global passenger car market in 2020.4 The automotive industry in Europe will record the first decline in seven years. At the same time, according to the Association of European Automobile Manufacturers (ACEA), companies will have to make massive investments in zero-emission vehicles.<sup>5</sup>

According to the industry association Spectaris, the future development of the medical technology industry will be determined by regulatory issues and the export business. It is therefore unclear whether medical technology, which has historically been resistant to crises, will be able to escape the global economic slowdown in the long term. On the other hand, growth impulses are emanating from the digitalization of the health care system and technological developments in diagnosis and treatment, as well as global population growth and demographic change in the developed economies. Consequently, the industry association Spectaris expects the medical technology market to continue to grow in the coming years and believes that German manufacturers are well positioned with their innovative products to benefit from the developments outlined and to maintain their position on the global markets.6

 $<sup>2\</sup> https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/lfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_61_2019-04_Welt_DE.pdf$ 

<sup>3</sup> https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/lfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB\_62\_2019-04\_Deutschland\_DE.pdf

<sup>1</sup> https://www.vdma.org/v2viewer/-/v2article/render/45913465

<sup>2</sup> https://www.vdma.org/v2viewer/-/v2article/render/47140020

https://rua.vdma.org/viewer/-/v2article/render/45164151

<sup>4</sup> https://www.vda.de/de/presse/Pressemeldungen/191104-mat-tes-politik-muss-automobilstandort-Deutschland-jetzt-wetter-fest-machen.html

<sup>5</sup> https://www.acea.be/press-releases/article/auto-industry-sets-out-plan-for-carbon-neutrality-under-eu-green-deal-amid 6 https://www.spectaris.de/verband/aktuelles/detail/spectaris-bekanntgabe-zur-medica-deutsche-medizintechnik-mit-rekord-zuwachs/

According to Spectaris, the medical technology submarket of the optical industry is expected to achieve sales gains of 2.5% in Germany and 3.5% for exports in 2020.7 Current forecasts by the industry association Spectaris on the development of the medical technology industry for 2020 were not available at the time of writing this report.

According to the Federal Association for Secondary Raw Materials and Waste Disposal (byse), the recycling and waste disposal industry will benefit from altered political conditions, through which the priorities in the economy have changed as a result of the Commercial Waste Ordinance, the Packaging Act and the public discussion on the topics of recycling management and climate protection. According to the report, there is a noticeable increase in the willingness to invest, which is urgently required for the creation of new and the modernization and expansion of existing recycling and waste disposal plants. In addition to China, other countries in Asia have closed themselves off from waste from abroad by imposing import bans. Although this will increase local waste charges, the recycling and waste management industry will also benefit from an increase in demand. The recycling and waste management industry is facing headwinds from economic developments and international conflicts.8 Current forecasts by the VDMA Waste and Recycling Technology Association on the development of the industry for 2020 were not available at the time of writing this report.

# Prospective development in the financial year 2020

The Management Board of MAX Automation SE sees the performance of the Group in the 2020 fiscal year as generally positive. Based on the current macroeconomic and industry-specific outlooks and the trends in the markets in which the Group companies operate, the Management Board assumes that demand for the Group's solutions will remain strong in the core business.

MAX Automation focuses on attractive growth markets that offer above-average margins and limited

volatility. The early identification of trends and a corresponding strategic orientation are essential for the long-term business success of the MAX Group. This includes investments in equipment and machinery to make production more efficient.

Uniform standards for risk management and managerial accounting as well as clear and binding guidelines for the acquisition of orders play an important role in further increasing efficiency in the Group and reducing its risk profile. MAX Automation has invested considerably in corresponding management systems since 2018 and will continue to do so in 2020. The goal is also to further reduce the amount of funds tied up in working capital, which throughout the Group is sustainably at a maximum of 15% of consolidated sales. The Group will also further professionalize its ERP systems and introduce a Group-wide cash pool for stabilization purposes.

An important factor in 2020 will be the continuation of the divestments of IWM Automation GmbH and ELWEMA Automotive GmbH that were decided in September 2018. The closure will be completed for IWM Automation GmbH by 30 September 2020, at the latest. Despite the delays, the sale of ELWEMA Automotive GmbH will continue and should be completed in 2020. The completion of these last areas of activity from non-core business will further improve the MAX Group's financing power, risk profile and results of operations.

# Summary statement on the prospective development of the Group

MAX Automation's assessment of the outlook for the global economy in 2020 is similarly cautious as in the previous year. The Group will monitor and closely analyze economic developments, particularly the impacts of the Coronavirus disease COVID-19 and the resulting uncertainties. The MAX Group has not yet been able to identify a pronounced economic weakness and it therefore remains to be seen to what extent the Group's business performance will be affected by a possible lower demand due to economic conditions.

Overall, the Managing Directors consider MAX Automation with its core business areas to be positioned in a strategically promising position and regard the order backlog at the beginning of 2020 as a good starting point for further development in the course of the year. At the same time, the Managing

<sup>7</sup> https://www.spectaris.de/verband/aktuelles/detail/deutscheaugenoptik-industrie-blickt-auf-ihr-erfolgreichstes-geschaeftsiahr-des-letzten-jahrzehnts/

<sup>8</sup> https://www.bvse.de/recycling/pressemitteilungen/5293-zu-nehmende-investitionsbereitschaft-spuerbar.html

Directors expect revenues development at Group level to be slightly below the level of the previous year. The closure of the IWM Automation companies will result in further declining sales for the non-core business. Adjusted for the revenue contribution from non-core business, the Managing Directors expect growth to be slightly above the level of 2019.

The final processing of the activity fields from the non-core business will still generate costs until halfway through the year, whereby the majority of the financial burdens have already been processed in the consolidated financial statements for 2019. The EBITDA of the non-core business will remain negative due to projects still to be completed at IWM Automation companies, but the negative number will be significantly lower than in 2019. In the medium term, the risk profile and financing ability of MAX Automation will develop positively through the settlement of non-core business. Therefore, the Managing Directors currently expect a clearly positive EBITDA at the Group level for 2020 after a negative EBITDA in the previous year.

### Financial forecast

Based on the current portfolio and the expectations for the economic development described above, the Managing Directors expect consolidated sales of between mEUR 380 and mEUR 410 and EBITDA of between mEUR 16 and mEUR 20 for the Group for the 2020 fiscal year.

# Prospective business development of the SE

The earnings position of MAX Automation SE is heavily dependent on the development of the Group. Based on the expected development of the operating companies, the Managing Directors are anticipating a slight increase in profit transfer and investment income for the financial year of 2020.

## Forward-Looking Statements

This report contains forward-looking statements based on the current assumptions and forecasts made by the Managing Directors of MAX Automation SE. Such statements are subject to risks and ambiguities. These and other factors may lead to a situation where the actual results, financial position, developments or capacity of the Company differ substantially from the estimates given here. The Company assumes no liability whatsoever to update these forward-looking statements or to adapt them in the light of future events or developments.

Dusseldorf, 12 March 2019

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