GROUP MANAGEMENT REPORT

Combined Management Report of MAX Automation SE for the Financial Year 2020

BASIS OF THE PARENT COMPANY AND THE GROUP

Business Model

MAX Automation SE, headquartered in Düsseldorf, Germany, is the holding company of a Group of small and medium-sized companies that operates on a global level. The Group companies provide their customers with innovative solutions and complex systems for the purpose of enabling efficient production and automation. As full-range suppliers of machinery, installations and integrated automation solutions, the companies develop solutions in close cooperation with customers in Germany and beyond. In addition, they offer complementary services such as consulting (including analysis, testing and feasibility studies) and production support, along with servicing, repair and software development. The MAX Group companies operate in a variety of different sales markets, sectors and business areas, ensuring a high degree of diversification within the Group. Some of the companies serve niche markets and strive to achieve a leading position in terms of the product or quality.

The MAX Group companies operate through an international network of sales offices and service locations in Europe, North America, South America and Asia. The development and production sites are primarily located in Germany with others located in the United States, Poland and Italy. As of the reporting date, the MAX Group consisted of MAX Automation SE and its 11 shareholdings and the subsidiaries of these shareholdings in Germany and abroad.

Governance structure

With the conversion into a "European Company" (Societas Europaea, SE) in the 2017 fiscal year, MAX Automation SE opted for a monistic management system. The monistic management system is characterized by the fact that the management of the SE is incumbent on a single management body, the Supervisory Board. The Supervisory Board directs the company, defines the guidelines of its activities and supervises their implementation. The Managing Directors conduct the business of the company, represent the company in legal matters and in direct relations with other parties, and are bound by the instructions of the Supervisory Board. The operational management of the MAX Group subsidiaries is incumbent upon the General Managers of these subsidiaries.

Operating Segments

Subsidiaries of the MAX Group are allocated to four operating segments, which corresponded to the reportable segments in line with IFRS requirements in the 2020 fiscal year.

In the Process Technologies segment, the focus of bdtronic GmbH and its subsidiaries is on the development and production of machinery and installations with integrated software solutions for high-precision production processes such as dispensing and impregnation, especially for customers in e-mobility, the electronics industry and medical engineering.

In the Environmental Technologies segment, Vecoplan AG and its subsidiaries develop and install machinery and installations for the sustainable use of primary and secondary raw materials and biomass, in particular for the recycling, energy and raw materials industries.

The Evolving Technologies segment brings together five different companies offering optoelectronic solutions, plant and machinery for use in medical engineering and packaging systems, as well as robotic production systems and automation solutions.

The three segments - Process Technologies, Environmental Technologies and Evolving Technologies - represent the core business areas of MAX Automation.

The Non-Core Business segment comprises companies that are no longer part of MAX Automation's core business. This primarily includes ELWEMA Automotive GmbH, which develops manufacturing solutions for cleaning, testing and assembly technology, in particular for engines, steering systems and transmissions. The other companies in the segment have ceased operations and are only completing existing customer projects (IWM Automation Bodensee GmbH, IWM Automation GmbH). IMW Automation Poland will cease operations in the course of 2021.

Strategic Positioning

The MAX Group's focus is on growth industries with low dependence on economic cycles and fluctuations. The goal of MAX Automation is to create added value for shareholders and stakeholders and to achieve above-average growth in sales, earnings and cash flow.

Long-term trends drive the growth of MAX Automation's activities, among them increased health awareness and rising demand for medical technology due to demographic shifts. Other trends include the increase in automation, the trend towards electrification in the automotive sector, growing needs and desires for sustainability, the digital transformation in industrial production with the associated networking of plants and machinery, and rapidly growth in industrial sectors such as micro-automation and robotics. The ability to quickly pick up on trends and to subsequently identify innovative solutions and further develop technologies are therefore of key strategic importance for the long-term business success of the MAX Group.

MAX Automation SE is currently working on further developing its group strategy and on establishing a suitable governance structure that meets changing operational requirements while continuing to satisfy the highest standards. The new strategy is expected to be rolled out over the course of 2021.

Controlling System

Planning and management for the MAX Group is conducted on the level of the individual Group companies and through MAX Automation SE directly. The subsidiaries define their strategy for the coming fiscal years and plan their individual business performance targets based on the long-term focus of the MAX Group. This planning process culminates in a investment plan and a cost budget with targets relating to sales and revenue performance for the purpose of budget and medium-term planning. The results of the annual planning discussions between the MAX Management Board and the General Managers of the

Group companies lead to a Group plan that is discussed and approved by the Supervisory Board.

Monthly review meetings between the Group companies and the MAX Automation SE as the holding company provide an ongoing insight into the overall economic situation of the MAX Group. The monthly reports are used to identify deviations from Group company planning at an early stage and to discuss options for action.

Control Variables

To manage and evaluate its operating business, the MAX Group uses financial performance indicators that are suitable for companies in the machinery and plant engineering sector. These indicators are recorded on the level of the Group companies individually and are consolidated on the level of MAX Automation SE. The MAX Group is primarily managed on the basis of the key performance indicators "Sales" and "EBITDA" respectively the "EBITDA margin". In addition, ratios are used to measure the order situation, such as order intake and order backlog, as well as for the development of working capital.

The objective is to identify trends at an early stage by analyzing these key control variables and thus to ensure and enhance the long-term earnings performance of the MAX Group. Non-financial performance indicators are not used for internal control of the Group.

In addition, the covenant agreements regarding the syndicated loan agreement are included in the management of the MAX Group. The covenants include limits for absolute equity and absolute EBITDA for the last 12 months of the MAX Group. The control is carried out by setting and reviewing target corridors.

In 2020, the Group recorded the following changes in key performance indicators:

	2020	2019	Change
	in mEUR	in mEUR	in %
Order Intake	319.6	379.9	-15.9
Order Backlog[1]	209.4	199.5	5.0
Working Capital	39.1	72.0	-45.6
Sales	307.0	425.5	-27.8
EBITDA	5.7	-0.9	733.7
EBITDA-Margin (in % of Sales)	1.8%	-0.2%	

[1] as of December 31

Research and Development

As a strategic management company, MAX Automation SE does not conduct its own research and development activities (R&D), but it does consider such activities to be essential to the future success of the Group companies in their respective markets. The market environment in which the companies operate is subject to rapid changes in technology and intense competition. Customers require tailored technical solutions based on the latest processes and technologies. Political demands and government regulations, especially of an environmental nature, are increasingly becoming growth drivers of development processes.

The MAX companies are responsible for ensuring that their products and solutions satisfy the latest technological standards and are strategically well-positioned in their markets. R&D is conducted on a decentralized basis in the companies, such as in the form of specialized departments or technology centers. As small & medium-sized enterprises, the MAX companies organize their R&D activities largely within the framework of specific customer projects, focusing on the market situation and the needs of their customers. However, the MAX companies do not conduct research for purely scientific purposes. In order to live up to its claim of technological and quality leadership, the subsidiaries continuously expand their technological skill sets. Accordingly, some of the products in their portfolios are quite recent and innovative.

Information on development costs can be found in the notes to the consolidated financial statements under other disclosures in the section on research and development.

GROUP ECONOMIC AND BUSINESS REPORT

General economic and business conditions

Overall economic environment

In 2020, the global economy was significantly affected by the COVID-19 pandemic, contracting by 3.5% in the past year according to analyses by the International Monetary Fund (IMF). In the previous year, the global economy had grown by 2.8%. This means the decline was 0.9 percentage points lower than assumed in the October 2020 WEO forecast, according to the IMF. The second half of the year saw a recovery that was stronger than expected. Massive political support programs to contain the crisis prevented a more dire outcome. Central banks, including the U.S. Federal Reserve ("Fed") and the European Central Bank (ECB), supported fiscal stimulus programs by further expanding their expansionary monetary policy measures. The renewed spread of the pandemic at the end of the year demonstrated the global economy's continued vulnerability to setbacks. Economic growth declined in all developed economies as well as in the emerging markets and developing countries – with the exception of China – in 2020.[1]

According to the IMF, the U.S. economy contracted by 3.4% in 2020, 0.9 percentage points less than assumed in October 2020. The second half of the year in particular featured elevated economic momentum, a declining unemployment rate and a recovery in consumption. U.S. growth was 2.2% in 2019.[2] [3]

In the People's Republic of China, the economy grew by 2.3% in 2020, weakening by 3.5 percentage points compared with the previous year. Rapid containment of the pandemic, public investment and liquidity support from the central bank ensured that the Chinese economy returned to growth starting in the second quarter of 2020.[4]

Economic activity in the eurozone declined by 7.2% in 2020, compared with economic growth of 1.3% in 2019, according to the IMF.[5] A decline of 8.2% was still being forecast as of October 2020. An additional

1 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
2 https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020
3 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
4 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
5 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update

bond-buying program by the ECB and extensive measures by Member States, including short-time work programs, wage subsidies, loan and aid programs for businesses and tax deferrals cushioned the economic impact of the pandemic in the third and fourth quarters.

According to the Federal Statistical Office (Destatis), Germany's economic output declined by 4.9% in 2020, following growth of 0.6% in the previous year.[6] With a decline of 11.3%, the second quarter of 2020 was the low point. Economic activity recovered in the third and fourth quarters but remained negative in the face of a new wave of infections in the fall and additional lockdown measures. Overall, the economic slump was less severe than the -5.7% experienced in the financial and economic crisis of 2008/2009, but it left clear traces in all sectors of the economy. Production was massively curtailed in both the service and manufacturing sectors. Economic output in the manufacturing sector declined by 9.7% compared with 2019 and by as much as 10.4% in the processing industry.

The impact of the pandemic was also clearly visible on the demand side. At 3.5%, gross fixed capital formation recorded its sharpest decline since the financial and economic crisis of 2008/2009. Capital expenditure for machinery, equipment and vehicles decreased by 12.5% compared with the previous year.[7] COVID-19 also had a massive impact on foreign trade, with exports and imports of goods and services declining in 2020 for the first time since 2009, while exports shrank by 9.3% and imports fell by 7.1% compared with the previous year. Export business slowed noticeably, especially at the beginning of the pandemic: In March 2020, with closed borders, disrupted logistics and broken supply chains restricting exports. Although exports picked up again in the eight months that followed, this was not enough to compensate for the slump.[8]

Numerous measures to cushion the economic impact included a temporary reduction in the rate of value-added tax, an extension of short-time work to 24 month (instead of the previous 12 months), financial support measures for businesses, and an economic stimulus package from the federal government. The outbreak of the COVID-19 pandemic ended a 10-year period of growth in Germany's economy.[9]

6 https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/02/PD21_081_81.html
7 https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html
8 https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/02/PD21_054_51.html
9 https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html

Development of relevant industries

In Germany, the recovery of the German machinery production industry from the pandemic-related slump in the spring of 2020 was largely better than expected in the second and third quarters of the past fiscal year. By the end of the fourth quarter of 2020, COVID-19 again had an increasingly firm grip on the world and the capital goods industry.[1] However, the containment measures were less drastic than in the first half of the year, particularly in industry. In view of a better-than-expected third quarter, the German Engineering Federation (VDMA) revised its expectations for the past fiscal year slightly upward. According to preliminary calculations, the VDMA expects a somewhat smaller decline of 14% to 197 billion euros instead of the 17% drop in production originally forecast for 2020. Accordingly, order intake and sales were both 9% below comparative figures from 2019. However, the VDMA reports that many businesses are reporting lower losses than feared in the summer. By contrast, the impact of the pandemic on the export-centric German machinery sector was also reflected in order intakes. While domestic business remained 6% below the previous year's level, foreign demand fell by 13%.[2,3] In the months of

1 VDMA Mechanical Engineering International Business Outlook
2 https://www.vdma.org/v2viewer/-/v2article/render/57181145
3 https://www.vdma.org/v2viewer/-/v2article/render/60417916

November and December 2020, the prevailing reluctance to invest began to subside, and order intake in the mechanical engineering sector exceeded the comparatively low previous-year level for both domestic and foreign orders. The recovery thus continued with a hopeful outlook.[4]

The robotics and automation sector also expects a 2020 slump that is similar in its severity to that experienced by the mechanical engineering sector. Due to the pandemic, the VDMA expects a decline of 11% in order intake and 19% in sales for the past fiscal year 2020, with heterogeneous trends seen in the subsectors. While Integrated Assembly Solutions and the robotics subsector recorded a 12% decline in order intake and a 23% drop in sales, industrial image processing orders were down by 7% and sales dropped by 8%.[5] According to the VDMA Robotics + Automation Association, the pandemic has demonstrated how vulnerable industrial production has become in global value chains. At the same time, it also harbors great opportunities in the fight against the pandemic. The rapid conversion of production lines for the production of respirator masks as well as medical equipment and accessories underscores the potential of great automation depth.[6]

According to the German Association of the Automotive Industry (VDA), the 2020 coronavirus crisis had an enormous impact on international markets. Sales fell in almost all countries throughout the world, in some cases quite drastically. Of the three major sales regions, Europe suffered the greatest decline. The five largest markets in Europe saw double-digit declines across the board. In Europe, 24% fewer new passenger cars were registered overall in 2020. Sales volumes declined by 25% percent in France, by 28% in Italy and by 29% in the United Kingdom. Spain was hit comparatively hard with a decline of 32%. Following a mild recovery in the third and fourth quarters, European passenger car sales in December 2020 remained 4% below the previous-year level.[7] 2020 was also a challenging year for the German automotive market. In 2020 as a whole, the domestic market contracted by 19%, while exports shrank by 24%. In December 2020, the German automotive market grew by 10% despite the lockdown in the second half of the month.[8] In the United States, the light vehicle market (cars and light trucks) finished the year with an overall decline of 15%. This was the first time since 2012 that the U.S. market dropped below the 15 million mark. U.S. light vehicle sales were up by 6% in December 2020. By contrast, China was largely able to put the pandemic and its consequences for automotive sales behind it. Following a rapid recovery, the decline was reduced to 6% overall in 2020. In December of the past year, the Chinese automotive market again achieved growth of 7%, marking the eighth consecutive month of increase.[9]

For 2020 as a whole, a decline in sales of around 4% is expected in the medical technology industry according to an October survey of the members of industry association SPECTARIS, although signs of recovery were also seen at the beginning of the fourth quarter, mirroring that of other industries. The expected decline for international business was 6%. It was claimed that smaller businesses in particular would suffer more from the consequences of the pandemic, with higher declines in sales expected.[10] Compared with other sectors, the vision care industry in Germany came through the coronavirus year relatively unscathed, according to the association. However, it will be forced to absorb the highest revenue losses within the SPECTARIS sectors in 2020. The German vision care industry expects a decline of around 10%, although the final figures were not yet available at the time this report was in preparation.[11]

4 VDMA Mechanical Engineering Business Outlook for Germany
5 VDMA Mechanical Engineering Business Outlook for Germany
6 https://rua.vdma.org/viewer/-/v2article/render/49257709
7 https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html
8 https://www.vda.de/de/presse/Pressemeldungen/210108-Corona-Effekt—Austausch—lterer-Autos-stockt.html
9 https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html
10 https://www.spectaris.de/medizintechnik/aktuelles/detail/leichte-erholung-im-krisenjahr-deutsche-medizintechnik-daemmt-umsatzrueckgang-auf-vier-prozent-ein/
11 https://www.spectaris.de/consumer-optics/aktuelles/detail/die-augenoptik-war-2020-auf-achterbahnfahrt-sehversorgung-der-bevoelkerung-ist-unveraendert-gesicher/

After 11 years of growth, the waste and recycling technology sector is looking back on 2020 with a decline in sales of approximately 3%. In the spring of 2020, the Waste and Recycling Technology Association of the German Engineering Federation (VDMA) was still expecting another year of growth. The industry as a whole is quite diverse in its positioning. Manufacturers of mobile waste treatment technologies suffered from supply chain problems due to the pandemic. Plant engineers faced project delays related to the coronavirus. By contrast, specialized manufacturers of machinery such as shredders have been able to finish the year with positive results, according to the association. On the other hand, order intake declined, falling short of the previous year's level by 2.9%. As previously, the 27 countries of the European Union remain the sector's most important sales market. With an export share of 12.4%, North America again takes first place among the non-European markets. Asia follows with a share of 6.2%. According to the trade association, the export ratio is a stable 68%.[12]

12 https://art.vdma.org/documents/266241/57307734/VDMA%20Abfall-%20und%20Recyclingtechnik_Branchenkonjunktur_final_1607595529775.pdf/2fddc30a-3d22-cb0b-b2d4-a421e475ab29

Business development of the Group

The 2020 fiscal year of MAX Automation SE was significantly influenced by the COVID-19 pandemic. In the first half of the year in particular, the effects of the coronavirus crisis were visible in a significant decline in order intake in the MAX Group. As a result, at the end of April 2020, MAX Automation had to retract the forecast for the 2020 fiscal year published with the 2019 annual financial statements and, in view of the high volatility of business development and the associated lack of forecasting ability, was also unable to issue a new forecast in the further course of the fiscal year. It was not possible to issue a full-year forecast for fiscal 2020 for sales and operating earnings before interest, taxes, depreciation and amortization (EBITDA) until February 2021. This amounted to mEUR 305 for sales and mEUR 5.5 for EBITDA.

Immediately after the pandemic containment measures were imposed in March 2020, the Management Board set up a crisis task force to continuously analyze and assess the situation and make decisions on this basis. In addition, measures to safeguard liquidity and reduce costs were adopted in order to keep the risks for the MAX Group as low as possible and to ensure the company's ability to operate. The Group companies largely kept their respective operations running. Short-time working was used selectively where it was sensible and necessary. The health and safety of MAX Group employees has always been a top priority.

Consolidated order intake of the MAX Group decreased by 15.9 % to mEUR 319.6 in 2020 due to pandemic-related investment reluctance (previous year: mEUR 379.9). From the third quarter of 2020, the MAX Group once again recorded a more stable trend in order placement and achieved high order intake, particularly in the month of December. Overall, the core business areas recorded a robust performance in the pandemic environment. The performance here was driven primarily by demand in the medical technologies and packaging automation fields in the Evolving Technologies segment. While demand in Environmental Technologies was lower year-on-year due to the pandemic and low oil prices, the planned growth in the Process Technologies segment failed to materialize against the background of the pandemic with delays in awarding major e-mobility projects. The Non-Core Business was characterized by further restructuring. Accordingly, order intake declined as planned with the plant closures of the IWM Automation companies.

At the Group level, the order backlog increased to mEUR 209.4 (31 December 2019: mEUR 199.5), up 5.0 % on the previous year. The order backlog in the core business areas increased in 2020 particularly with the growth in medical technology in the Evolving Technologies segment. While Environmental Technologies recorded a slightly lower order backlog than a year earlier, this decreased in the Process Technologies segment as existing projects were processed. The order backlog in Non-Core Business decreased as planned with the termination of projects in the closed IWM Automation companies. The MAX Group's consolidated order development reached a book-to-bill ratio of 1.04 (previous year: 0.89).

The MAX Group achieved sales of mEUR 307.0 in 2020 (previous year: mEUR 425.5). The expectation originally formulated at the beginning of the year that sales would be between mEUR 380 and 410 in 2020 was therefore not achieved. The adjusted forecast for sales was mEUR 305. The Group's sales performance was impacted in particular by COVID-19-related delays in projects and commissionings. Business was impacted in almost all Group companies in the core business areas Process Technologies and Evolving Technologies by production interruptions with customers, border closures and quarantine regulations. In contrast, with a high order backlog and only insignificant delays due to the pandemic, production in the Environmental Technologies segment continued almost under normal conditions. In the Non-Core Business, sales decreased in particular due to the closure of the IWM Automation companies and as a result of production stops during the pandemic with customers in China and Europe.

The pandemic significantly slowed down the targeted earnings growth of the MAX Group. However, operative earnings before interest, taxes, depreciation and amortization (EBITDA) improved to mEUR 5.7 compared to the previous year (2019: mEUR -0.9). Nevertheless, the original expectation of an EBITDA of between mEUR 16 and 20 could not be maintained here either. The full-year forecast published in February 2021 showed a figure of mEUR 5.5 for EBITDA. The improvement in EBITDA is attributable in particular to the significantly reduced loss situation in the Non-Core Business. Although the core business was clearly positive overall, it had to report a sharp year-on-year decline in its operating result against the background of the pandemic. EBITDA decreases in the Process Technologies and Evolving Technologies segments resulted mainly from lower sales. In contrast, the Environmental Technologies segment exceeded its prior-year earnings. The segment therefore made the largest contribution to the Group's overall result.

In summary, the MAX Group can look back on a satisfactory year against the background of the coronavirus crisis. In a market environment characterized by the pandemic, the Group was able to hold its ground and close the year in line with adjusted expectations.

Sales and result of operations

In 2020, the MAX Group recorded a 27.8 % drop in sales to mEUR 307.0 in line with adjusted expectations, in particular as a result of COVID-19-related delays in projects and commissionings (previous year: mEUR 425.5). The export share of sales rose to 72.2 % (previous year: 63.2 %). In the North American business and in China, the MAX Group increased its sales, whereas the Group's sales markets in Germany, Europe and the rest of the world were affected by sales declines. The share of the service and spare parts business rose to 21.6 % in the same period (previous year: 18.6 %).

The Group's total output in 2020 decreased by 25.1 % to mEUR 299.2, mainly due to slower project progress and changes in inventories (previous year: mEUR 399.3). The Group's lower total output was offset by cost savings and higher project margins. Other own work capitalized decreased slightly to mEUR 2.2 (previous year: mEUR 2.3).

MAX Automation's other operating income increased by 26.7 % to mEUR 14.1 (previous year: mEUR 11.1). The background to this is that it was possible to release warranty provisions for projects that had fallen out of warranty. Provisions for vacation and bonuses were also reversed and positive currency effects were achieved at some Group companies.

The MAX Group's cost of materials decreased by 32.5 % to mEUR 136.9 due to the lower project volume (previous year: mEUR 202.7). At 45.8%, the cost of materials ratio was below the level of the previous year despite lower total output (2019: 50.8 %).

Personnel expenses decreased by 12.9 % to mEUR 121.2 in 2020, mainly due to the closure of the IWM companies and the use of short-time working as a result of the coronavirus crisis (previous year: mEUR 139.1). The personnel expense ratio rose to 40.5% with lower total output (previous year: 34.8%). With the exception of a few employees, the workforce was deliberately not adjusted to the reduced overall output since the MAX Group will be dependent on its well-trained specialists once the economic crisis triggered by the pandemic is over.

MAX Automation's depreciation and amortization increased by 68.7 % to mEUR 25.1 (previous year: mEUR 14.9). As a result of the coronavirus crisis, the goodwill of ELWEMA Automotive GmbH and iNDAT Robotics GmbH had to be written down as part of the annual impairment tests. In addition, impairment losses were recognized on the fixed assets of ELWEMA Automotive GmbH as a result of the impairment test.

The MAX Group's other operating expenses decreased by 30.2 % to mEUR 48.5 in 2020 (previous year: mEUR 69.4), mainly due to lower additions to warranty provisions, lower travel expenses due to the pandemic as well as lower legal and lower consulting costs. In addition, expenses for the closure of IWM Bodensee were still included in the previous year. Expenses from exchange rate differences rose to mEUR 2.2 (previous year: mEUR 1.2).

Group earnings before interest and taxes (EBIT) fell by 23.4 % to mEUR -19.5 in 2020 (previous year: mEUR -15.8) as a result of COVID-19-related changes, and the EBIT margin – in relation to sales – decreased to -6.3% (previous year: -3.7%).

The Group financial result improved to mEUR -9.0 (previous year: mEUR -18.1) and mainly includes interest expenses for the syndicated loan. The previous year included valuation allowances for a loan and the use of a bank guarantee for the equity-accounted investment MAX Automation (Asia Pacific) Co. Ltd. as well as for a payment claim against a former Group company.

MAX Automation's result from income taxes amounted to mEUR 2.2 (previous year: mEUR -1.2). The deviation from the previous year is mainly based on the fact that the recognition of deferred tax assets on loss carryforwards was adjusted upwards due to a higher recoverability.

The pandemic slowed down the targeted recovery of the MAX Group. However, with the further streamlining of the non-core business, it was possible to reduce the loss for the year by 25.8 % to mEUR -26.3 (previous year: mEUR -35.5), corresponding to earnings per share of EUR -0.90 (previous year: EUR -1.18).

Asset position

In 2020, the MAX Group recorded a decline in total assets of 15.2 % to mEUR 281.8 (31 December 2019: mEUR 332.4). Fixed assets (excluding deferred taxes) are financed through equity and non-current liabilities. Current assets cover current liabilities.

Non-current assets decreased by 13.8 % to mEUR 121.9 (31 December 2019: mEUR 141.4), in particular due to the impairment losses recognized as a result of the impairment tests of ELWEMA Automotive GmbH and iNDAT Robotics GmbH. Intangible assets also decreased by 53.6 % to mEUR 3.2 (31 December 2019: mEUR 6.8) and goodwill by 16.6 % to mEUR 38.6 (31 December 2019: mEUR 46.2). Property, plant and equipment decreased by 4.9 % to mEUR 44.1 (31 December 2019: mEUR 46.3), mainly as a result of reclassifications due to the intended sale of the land and building from the closed IWM Automation GmbH to assets held for sale.

Investment property, after impairment losses from fair value adjustments, amounted to mEUR 6.4 (31 December 2019: mEUR 7.5). The value of other long-term financial assets decreased by 71.2 % to mEUR 1.9 (31 December 2019: mEUR 6.7). The main reasons for this were the repayment of a silent partnership in the amount of kEUR 800, which arose in connection with the management buy-out of altmayerBTD GmbH & Co. KG, and the repayment of a bridging and vendor loan in the amount of mEUR 2.5 by the former non-controlling interest ESSERT GmbH. Part of the outstanding loan to ESSERT GmbH was also written off in the amount of mEUR 1.6.

Deferred tax assets increased by 25.8 % to mEUR 13.1 (31 December 2019: mEUR 10.4), mainly as a result of the increased value of losses carried forward due to the integration of Vecoplan AG into MAX Management GmbH.

Overall, the share of non-current assets in total assets rose to 43.3% in 2020 (31 December 2019: 42.5%).

Current assets decreased by 16.3 % to mEUR 159.9 in 2020 (31 December 2019: mEUR 191.0), in particular as a result of inventory reductions due to the lower volume of business, which was caused by the coronavirus. Contractual assets were recognized mainly as a result of the closure of IWM Automation companies with a decrease of 18.1 % to mEUR 33.6 (31 December 2019: mEUR 41.0). Trade receivables decreased by 40.4 % to mEUR 27.1 due to payments received (31 December 2019: mEUR 45.4).

Tax receivables increased by 68.6% to mEUR 2.2 in 2020 (31 December 2019: mEUR 7.1).

Cash and cash equivalents increased by 17.6 % to mEUR 47.7 in 2020 due to the increase in operating cash flows (31 December 2019: mEUR 40.6). Overall, the share of current assets in total assets fell to 56.7% (31 December 2019: 57.5%). At the Group level, working capital decreased by 45.6 % to mEUR 39.1 due to high advance payments from customers and a simultaneous reduction in inventories and receivables (31 December 2019: mEUR 72.0).

Financial position

The capital structure of the MAX Group in the 2020 fiscal year was influenced by the further restructuring of the non-core business and by pandemic-related devaluations of companies. Accordingly, the equity of MAX Automation as of 31 December 2020 decreased by 41.2 % to mEUR 39.9 (31 December 2019: mEUR 67.9). The MAX Group thereby reported an equity ratio of 14.2 % at the end of 2020 (31 December 2019: 20.4 %).

In 2020, non-current liabilities decreased by 6.9 % to mEUR 142.0 (31 December 2019: mEUR 152.5). The MAX Group reduced non-current liabilities to banks by 5.3 % to mEUR 114.2 (31 December 2019: mEUR 120.6). Deferred tax liabilities decreased by 24.6 % to mEUR 8.2 (31 December 2019: mEUR 10.9) mainly due to the impairment losses recognized at ELWEMA Automotive GmbH and the final acceptance of projects whose sales is recognized over time according to the cost-to-cost method.

Current liabilities decreased by 10.8 % to mEUR 99.9 in 2020 (31 December 2019: mEUR 112.0). Trade payables decreased by 52.5 % to mEUR 23.7 (previous year: mEUR 49.8), mainly due to the closure of the IWM Automation companies and the reclassification of advance payments received to contractual liabilities for projects with non-periodic revenue recognition. As a result, contractual liabilities increased to mEUR 41.1 (previous year: mEUR 18.6). Miscellaneous other current provisions decreased by 25.4 % to mEUR 11.7 (previous year: mEUR 15.6). The decrease is mainly due to the fact that it included obligations for restructuring of mEUR 3.6 in 2019.

As a result of the COVID-19 pandemic and the closure of the IWM Automation companies, other current financial liabilities, which are characterized by vacation benefits and overtime, decreased by 15.9 % to mEUR 13.2 (31 December 2019: mEUR 15.7). Liabilities from income taxes increased to mEUR 3.3 (31 December 2019: mEUR 2.2).

Net debt including lease liabilities of the MAX Group decreased to mEUR 85.3 as of 31 December 2020 (31 December 2019 incl. lease liabilities: mEUR 101.0; 31 December 2019 excl. lease liabilities: mEUR 81.3).

Liquidity development

The MAX Group recorded a cash inflow from operating activities for 2020 of mEUR 32.0 (previous year: cash outflow of mEUR 20.9). With a negative cash-effective annual result, the inflow resulted in particular from high advance payments from customers and a simultaneous reduction in inventories and receivables.

The cash outflow from investing activities of mEUR 5.2 (previous year: mEUR -10.3) reflects investments of mEUR -7.4 in property, plant and equipment and inflows of mEUR 3.4 from the repayment of loans to third parties.

In 2020, the cash outflow from financing activities of mEUR 19.8 resulted in particular from a lower utilization of the syndicated loan (previous year: cash inflow of mEUR 38.8).

Overall, there was an increase in cash and cash equivalents of mEUR 7.0 to mEUR 47.7 in the 2020 fiscal year (previous year: mEUR 40.6). After taking into account changes in cash and cash equivalents due to exchange rate movements and changes in the scope of consolidation, cash and cash equivalents amounted to mEUR 47.7 as of 31 December 2020 (31 December 2019: mEUR 40.6).

Investments

The MAX Group invested mEUR 10.5 in non-current assets in the 2020 fiscal year (2020: mEUR 8.5). Investments in the coronavirus year mainly related to investments in IT, technical equipment and machinery and plant and office equipment, in particular investments in new ERP systems at the companies and in a new turning and milling center at Vecoplan AG that had already been decided. Detailed information on investments in the segments can be found in the attached Segment Reporting in the notes.

Segment reporting

MAX Automation SE and its Group companies meet 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.

Process Technologies segment

In the Process Technologies segment, the focus of bdtronic GmbH and its subsidiaries is on the development and production of machinery and equipment with integrated software solutions for high-precision production processes such as dispensing and impregnation, especially for customers in e-mobility, the electronics industry and medical engineering.

Due to the decline in production in the global automotive industry due to the coronavirus pandemic, order intake in the Process Technologies segment fell by 25.2 % to mEUR 46.8 (previous year: mEUR 62.5). The pandemic situation made negotiations difficult and led to order postponements. Typical customer acquisition activities, such as at trade fairs or exhibitions with normal and extensive levels of customer contact, could not take place. A general reluctance to invest also led to delays, particularly in the awarding of major projects in e-mobility. The expected growth in impregnation technology thus failed to materialize. At the end of the year, demand remained intact but was at a low level and below original expectations due to COVID-19. Projects in dispensing technology and service projects dominated order intake. As of December 31, 2020, the order backlog decreased by 18.3 % to mEUR 20.2 as a result of the fulfillment of existing orders (December 31, 2019: mEUR 24.7).

The Process Technologies sector recorded a drop in sales of 30.7 % to mEUR 50.9 (previous year: mEUR 73.4) as a result of COVID-19-related delays in projects and launches due to factors including lack of access to construction sites. The pandemic caused the growth originally targeted for 2020 to not be achieved. Projects in dispensing technology and a higher proportion of service projects made a particularly large contribution to sales revenues. Process Technologies generated 59.3 % of sales from orders outside Germany (previous year: 63.5 %).

As expected, earnings before interest, taxes, depreciation and amortization (EBITDA) fell to mEUR 6.9 (previous year: mEUR 14.8), a decrease of 53.7 % that was primarily attributable to lower sales. The segment made various growth investments in the first half of 2020, which led to an increase in the cost basis. Contrary positive effects on EBITDA were generated by the use of short-time work and the reversal of accruals for vacation and bonuses, among other measures. Although the EBITDA margin fell to 13.5% (previous year: 20.2%), it remained at a high level. EBITDA margins, which remain in the double-digit range, are primarily the result of unique selling proposition in dispensing technology.

Working capital decreased due to a reduction in project volume of 20.1 % to mEUR 13.3 (previous year: mEUR 16.6).

Excluding trainees, the number of employees in the Process Technologies segment rose by an annual average of 11.4 % to 409 (previous year: 368) in preparation for future growth. Due to the fact that well-trained professionals are needed for future growth, staffing levels were deliberately not adjusted to the reduced overall output. Instead, reduced working hour arrangements were used and credits in vacation and overtime accounts were used up in response to the reduced overall output.

Environmental Technologies segment

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

The business segment’s order intake for 2020 decreased by 20.7 % year-on-year to mEUR 111.3 (previous year: mEUR 140.3). Overall, the trend in order development under the conditions of the pandemic exceeded management expectations. In addition to that, the order situation in the previous year was influenced by two major orders of a one-off nature in the United States amounting to 18 million euros. Demand for recycling solutions in the substitute fuel market was slowed primarily by lower oil prices. In Europe, the coronavirus pandemic affected demand for recycling and waste solutions for wood and biomass mainly in the second half of the year. A generally lower propensity to invest was reflected in particular by a reduction in the awarding of contracts for major projects. It was not until the end of 2020 that demand picked up again, allowing Vecoplan AG to record higher order intake. The order backlog as of December 31, 2020, was at mEUR 47.2, putting it slightly above the previous-year's level (December 31, 2019: mEUR 47.5).

Due to the drop in order intake, the segment's sales fell by 13.6 % year-on-year to mEUR 110.3 (previous year: mEUR 127.6). With a high order backlog and only insignificant project delays stemming from the pandemic, production was able to continue under conditions that were almost normal, making it unnecessary to use short-time work. However, segment sales were below management expectations overall. Sales were impacted by a major project in the United States that could not be commissioned in 2020, causing the revenue from this project to go unrecognized until the 2021 fiscal year. 90.2 % of segment sales were attributable to international business (previous year: 83.1 %). With a share of more than 30 percent, the service share of sales reached a high level.

Despite lower sales, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 9.5 % to mEUR 14.2 (previous year: mEUR 12.9). High-margin services and reduced sales and marketing costs contributed to the higher-than-expected EBITDA. In addition, Vecoplan's U.S. subsidiary benefited from a government loan from the Paycheck Protection Program in the amount of USD 950,900. The segment's EBITDA margin improved to 12.8% (previous year: 10.1%).

Working capital decreased slightly by 2.2 % to mEUR 17.2 (previous year: mEUR 17.6).

Excluding trainees, the average number of employees in the Environmental Technologies segment rose by 4.0 % to 420 (previous year: 404), with an order situation that remains positive.

Evolving Technologies segment

The Evolving Technologies segment brings together five different companies and offers its customers optoelectronic solutions, plants and machinery for use in medical engineering and packaging systems, along with robotic production systems and automation solutions.

In the 2020 fiscal year, the coronavirus crisis affected order intake to varying degrees at the companies in the segment. Thanks to ongoing high demand, packaging automation, medical technology and optoelectronics recorded very good order intake. For example, medical technology achieved, as expected, a major order in the field of in vitro diagnostics at the end of the year and will build systems for the fully automated production of pipettes (tip and cup technology) for its client over the next two years. By contrast, the onset of the pandemic had automation and robotics contending with declining demand. Nevertheless, order intake in the segment increased overall by 15.0 % to mEUR 130.5 (previous year: mEUR 113.5). The low level of order intake received by robotics during the year was compensated for by the other companies. Although the rise in demand in press automation from the third quarter onwards was not able to fully compensate for the declines of the previous months, orders were received from U.S. e-mobility suppliers and from China at the end of the year. Overall, Evolving Technologies recorded a 34.8 % increase in the order backlog to mEUR 108.7 (December 31, 2019: mEUR 80.7).

On the sales side, production interruptions at customers, border closures and quarantine regulations, along with ensuing delays in assembly and commissioning during the pandemic, weighed on the situation at all Group companies in the segment. The service business development was also negatively affected. However, based on a lower order backlog at the beginning of 2020, the overall decline in sales was in line with expectations adjusted for the pandemic. Sales decreased by 23.0 % to mEUR 104.9 (previous year: mEUR 136.2), with the segment's international business generating 53.6 % of sales (previous year: 31.3 %).

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the Evolving Technologies segment were primarily affected by pandemic-related delays in the progress of press automation and robotics projects. The project delays combined with the slump in orders led to losses in robotics. Medical technology again made the largest contribution to EBITDA. Overall, the segment recorded a year-on-year decrease in EBITDA of 57.0 % to mEUR 7.3 (previous year: mEUR 16.9). The previous year's figure also included special effects from fair value measurements. The segment's EBITDA margin fell accordingly to 6.9 %, compared with 12.4 % in the previous year.

Working capital decreased to mEUR -2.9 (previous year: mEUR 7.7) as a result of high advance payments in medical technology and the reduction in receivables in press automation.

Excluding trainees, the average number of employees in the Evolving Technologies segment rose slightly to 558 (previous year: 549). In the course of the year, short-time work were selectively put to use at some Group companies. Vacation and overtime accounts were systematically used up in order to accommodate reduced workloads in some areas.

Non-Core Business segment

The Non-Core Business segment brings together companies that are no longer part of the MAX Group's core business. This primarily includes ELWEMA Automotive GmbH (ELWEMA), which develops manufacturing solutions for cleaning, testing and assembly technology, in particular for engines, steering systems and transmissions. The remaining companies in the segment have either ceased operations or are completing existing customer projects (IWM Automation Bodensee GmbH, IWM Automation GmbH, IMW Automation Poland).

Accordingly, in contrast to previous years, the segment's order intake is now determined solely by ELWEMA. Overall, order intake in 2020 fell by 51.3 % to mEUR 31.0 (previous year: mEUR 63.6) due to the closure of IWM Automation companies. In the meantime, ELWEMA benefited from strong demand for conversion and repeat projects relating to plant optimization and recorded a high number of order intake, especially in the second half of the year. However, a major order already in progress from a long-standing ELWEMA customer was canceled in January 2021. The project was originally scheduled for completion in 2022. With the completion of projects in the closed companies, the Non-Core Business recorded a decrease in the order backlog of 28.6 % to mEUR 33.3 (December 31, 2019: mEUR 46.6).

Segment sales were down from the previous year, primarily due to closures of IWM companies and coronavirus-related factors. Lockdowns and production shutdowns at customers in China and Europe affected project acceptances, resulting in major delays and underutilization. Overall, the segment recorded a decline in sales of 51.4 % to mEUR 43.6 (previous year: mEUR 89.8), with 85.2 % of sales (previous year: 82.6 %) being generated outside Germany.

The coronavirus-related project delays were also reflected in earnings before interest, taxes, depreciation and amortization (EBITDA). The cancellation of a major order was taken into consideration in the annual financial statements as a value-enhancing event within the scope of the inventory valuation, and inventories at ELWEMA were devalued accordingly. Internally generated intangible assets at the company were also adjusted in response to the coronavirus situation. Together with provisions for non-profitable projects at the IWM companies, the segment posted a decline in EBITDA to mEUR -13.3mEUR (previous year: mEUR -36.6), corresponding to an improvement of 63.6 %. The EBITDA margin rose to -30.5 % (previous year: -40.7 %).

As a result of the closures and final acceptance of projects still open, working capital in the Non-Core Business segment fell by 61.9 % to mEUR 11.9 (previous year: mEUR 31.2).

Excluding trainees, the average number of employees in the Non-Core Business segment fell by 46.7 % to 259 (previous year: 486) due to the closures. Due to underutilization of the company's capacity, short-time work were introduced at ELWEMA. Vacation and overtime accounts were also used up in response to the reduced workload situation.

PERSONNEL REPORT

In 2020, 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. In the 2020 fiscal year, the COVID-19 pandemic had an impact on human ressources.

Because of COVID-19, some companies of the MAX Group used short-time work (KUG), which largely prevented layoffs due to the pandemic. Thanks to the introduction of hygiene measures, changes to processes in production and administration and the temporary use of so called "home office" solutions, health-related downtime in the MAX companies did not lead to serious limitations in day-to-day business.

As of 31 December 2020, the MAX Group had a total of 1,814 (annual average: 1,876) employees, including trainees (31 December 2019: 1,928, annual average: 2,023). Of these, 1,577 employees (annual average: 1,562) worked in the core business areas of Process Technologies, Environmental Technologies and Evolving Technologies (31 December 2019: 1,518, annual average: 1,474).

The average number of employees (FTE) – excluding trainees – decreased by 8.5 % to 1,661 (previous year: 1,816). The decrease in staff is mainly due to the discontinuation of operations of IWM Automation Bodensee GmbH as of 31 December 2019 and IWM Automation GmbH as of 30 December 2020. Neither company was part of the core business. The companies in the core business accounted for 1,387 employees (previous year: 1,321), an increase of 5%.

The strategic growth targets of the 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 an average of 142 trainees in 2020 (previous year: 140).

MAX Automation perceives its employees in the Group companies and in the holding company as an essential resource 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 financial performance of Max Automation SE is highly dependent on the development of the results of the group companies. Control and profit loss transfer agreements were concluded with three group companies (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 needs of the group companies for capital expenditure.

The development of the group companies' 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 5.1 (previous year: mEUR 12.2) as well as expenses from profit transfers of mEUR 7.7 (previous year: mEUR 12.4) in the 2020 fiscal year.

Sales revenues, which mainly include group allocations with affiliated companies, amounted to mEUR 2.1 (previous year: mEUR 3.3).

2020, no depreciation on current assets incurred (previous year: mEUR 9.2). The previous year included the depreciation 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 Packtec GmbH (previously: NSM Packtec GmbH) amounting to mEUR 0.7 and the valuation allowance from 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 fell from mEUR 9.6 to mEUR 7.0 mainly as a result of the discontinuation of restructuring consulting for group companies.

The loss from the sale of financial assets amounting to mEUR 1.7 in the previous year related to the sale of minority shares of ESSERT GmbH.

The net interest result stood at mEUR -3.7 after mEUR -0.8 in the previous year. This mainly includes expenses for the syndicated loan and interest income from affiliated companies.

Amortization of financial assets of a total of mEUR 1.6 (previous year: mEUR 22.9) includes valuation allowances in connection with the investment in MAX Automation North America Inc. amounting to kEUR 5 as well as amortization on the vendor loans, which was related to the sale of ESSERT GmbH, in the amount of mEUR 1.6. The previous year included amortization of the investment in MAX Automation (Asia Pacific) Co. Ltd., Hong Kong, amounting to mEUR 12.8, amortization 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 SE amounting to mEUR 4.9, which should be considered a loan, economically speaking. In 2020, there was an inflow of kEUR 50 from this loan.

The company reported earnings before taxes of mEUR -16.6 (previous year: mEUR -44.0). Tax income of mEUR 0.1 was reported (previous year mEUR 0.0).

The annual result amounts to mEUR -16.6 (previous year: mEUR -44.0). No distributions were made in the 2020 financial year from the net retained profits of the previous year.

Assets and financial position

As of 31 December 2020, total equity and liabilities of MAX Automation SE stood at mEUR 222.8. This corresponds to a decrease of mEUR 16.0 compared to the reporting date of the previous year (mEUR 238.8).

Receivables and other assets decreased by mEUR 139.6 to mEUR 128.8. This includes mEUR 121.6 from receivables from group companies from syndicated financing (previous year: mEUR 114.0). Cash and cash equivalents amounted to mEUR 4.0 at the reporting date (previous year: mEUR 5.0).

MAX Automation SE reports equity of mEUR 48.7 as of 31 December 2020 (previous year: mEUR 65.3). The equity ratio was 21.9% (previous year: 30.1%).

Liabilities to banks as of 31 December 2020 decreased from mEUR 119.9 to mEUR 114.5. These have a term until 2022. As of 31 December 2020, liabilities to group companies amounted to mEUR 55.8, compared to mEUR 48.4 in the prior year, and mainly comprise loans/contributions granted.

The net assets, financial position and results of operations of MAX Automation SE is in order.

NON-FINANCIAL REPORT ACCORDING TO SECTION 315B HGB

The non-financial 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 https://www.maxautomation.com/de/ueber-max-automation/nachhaltigkeit/ and is deposited in the Federal Gazette.

In its meeting on 16 March 2021, the Supervisory Board of MAX Automation SE dealt 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 PriceWaterhouseCoopers GmbH was not assigned to audit the separate non-financial report of MAX Automation SE.

DISCLOSURES PURSUANT TO SECTION 315A (1) AND SECTION 289A (1) OF THE GERMAN COMMERCIAL CODE

(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 headquartered 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

According to the Articles of Association of MAX Automation SE, the right to vote as per Section 134 (2)(3) and (5) AktG begins with the payment of the statutory minimum contribution. In addition, in accordance with the Articles of Association in conjunction with Section 67 (2) AktG, only persons who are entered as shareholders in the share register and have registered in due time are entitled to attend the Annual General Meeting and exercise their voting rights. The Supervisory Board is also not aware of any restrictions affecting voting rights or the transfer of shares.

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

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. LS Digital & Management Services GmbH & Co. KG with registered office in Hamburg and Orpheus Capital II GmbH & Co. KG with registered office in Hamburg jointly hold – on the basis of mutual attribution of voting rights – 40.25% of the voting rights in MAX Automation SE. The voting rights from the shareholdings of LS Digital & Management Services GmbH & Co. KG and Orpheus Capital II GmbH & Co. KG in MAX Automation SE are attributed to Mr. Oliver Jaster via Günther SE with registered office in Bamberg, Günther Holding SE with registered office in Hamburg and Orpheus Capital II Management GmbH with registered office 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)(1) of the Articles of Association, the Supervisory Board shall appoint Managing Directors for a maximum of five years. According to Section 11 (3) (2) of the Articles of Association, reappointment is permitted for another maximum of five years. The maximum possible appointment period of five years is not the rule for initial appointments. Pursuant to Section 11 (2) (2) of the Articles of Association, the Supervisory Board may appoint a Managing Director as Chairman and a Managing Director as Vice Chairman of the Managing Directors.

Pursuant to Section 11 (4) of the Articles of Association, in derogation 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 (2) SE Regulation, Section 51 SEAG and Section 17 (1)(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. Insofar as mandatory statutory provisions also require a majority of the capital stock represented when the resolution is adopted, a simple majority of the capital stock represented is sufficient pursuant to Section 17 (1)(3) of the Articles of Association, insofar as this is legally permissible. 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 their own votes to push through certain amendments to the Articles of Association. Pursuant to Section 22 (6) SEAG and Section 179 (1) (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.

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 4,418,912.00 euros 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) AktG with the obligation to offer them for subscription to the shareholders. However, the Supervisory Board is authorized to exclude this subscription right for the shareholders concerning fractional amounts or 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 in conjunction with Article 83 (1) sentence 1 and sentence 2 EGHGB and Section 351d HGB was issued by the Supervisory Board on 26 February 2021 and can be found in the internet under the link www.maxautomation.com/de/investor-relations/corporate-governance/.

DEPENDENCY REPORT

Declaration on the report of the Managing Directors on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG)

In the 2020 fiscal year, MAX Automation SE was a company dependent on Orpheus Capital II GmbH & Co. KG, Hamburg, Germany, and LS Digital & Management Services GmbH & Co. KG, Hamburg, Germany, within the meaning of Section 17 AktG. Based on a voting trust agreement that went into effect on 26 August 2020, there is mutual attribution of voting rights between Orpheus Capital II GmbH & Co. KG and LS Digital & Management Services GmbH & Co. KG. The primary controlling parent of Orpheus Capital II GmbH & Co. KG and LS Digital & Management Services GmbH & Co. KG pursuant to AktG is Oliver Jaster, Germany. Control results from a consistently expected (de facto) majority of votes at future Annual General Meetings. There is no control or profit and loss transfer agreement of MAX Automation SE with Orpheus Capital II GmbH & Co. KG or LS Digital & Management Services GmbH & Co. KG. The Managing Directors of MAX Automation SE have therefore prepared a report by the Managing Directors on relationships with affiliated companies in accordance with Section 312 (1) AktG, which contains the following concluding statement:

"In the legal transactions listed in the report on relationships with affiliated companies, MAX Automation SE received appropriate consideration for each legal transaction at the time the legal transactions were carried out or omitted according to the circumstances known to the Managing Directors and has not been disadvantaged as a result."

REPORTING ON BOARD MEMBERS' COMPENSATION

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board for 2020 was kEUR 283 (kEUR 232). In addition to reimbursement of their expenses, the Chairman of the Supervisory Board will receive kEUR 120, the Deputy Chairman of the Supervisory Board kEUR 60 and the remaining members of the Supervisory Board, with the exception of the Managing Directors, 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 2020 fiscal year:

in kEUR	Fixed remuneration		Consultancy services		Total	
	2020	2019	2020	2019	2020	2019
Dr. Christian Diekmann, Chairman (from 18/05/2019)	120	75	0	27	120	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)	40	48	0	0	40	48
Oliver Jaster (until 29/05/2020)	17	40	0	0	17	40
Karoline Kalb (from 30/05/2020)	23	0	17	0	40	0
Marcel Neustock (from 30/05/2020)	23	0	0	0	23	0

The members of the Supervisory Board received no loans or advances in the 2020 fiscal year.

Remuneration report of the Managing Directors

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 fringe benefits (including the use of a private company car, insurance premiums and rent subsidies for housing). The performance-related remuneration consists of a one-year variable remuneration (Short Term Incentive Plan ÒSTIPÓ and a multi-year variable remuneration (Long Term Incentive Plan ÒLTIPÓ). STIP is granted annually and LTIP is granted after the end of the respective terms of three or four years.

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 account, among other things, the tasks and performance of the Managing Director and their influence on the value chain. The performance targets relate to EBIT and return on capital employed (RoCE), in each case with regard to the Group and, for Managing Directors with direct responsibility for a segment, in each case with regard to the segment concerned. 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 their 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 return on capital employed (RoCE), weighted average cost of capital (WACC) and the amount of capital employed, in each case with regard to the MAX Group and, for Managing Directors with direct responsibility for a segment, in each case with regard to the segment in question. The target values are determined by the Supervisory Board at the beginning of the first fiscal year of the three- or four-year 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 assessment period of the LTIP tranche granted for the 2020 fiscal year covers the 2019 to 2021, 2020 to 2022 and 2021 to 2023 fiscal years. Since the amount paid out is not fixed until the end of the respective tranche, the amount granted is reviewed annually.

In addition, three of the four Managing Directors are granted what are known as phantom shares under a three-year LTIP. On the key date set for each fiscal year ("issue date"), the Managing Directors are granted fictitious shares ("phantom shares") for a value determined by the Supervisory Board ("issue value"). 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. 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 an individually determined maximum amount of the issue value. The fair value of the phantom shares for each tranche is determined using the Black-Scholes-Merton method.

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 a three-year term in each case.

On 1 January 2021, a new Managing Director took office at MAX Automation SE. In addition to fixed compensation and a STIP, the latter will be granted a one-time sign-on bonus in 2021. In addition, they will be given the opportunity to receive phantom shares on a fixed date for each year of their four-year contract term, which are then settled after a predefined holding period of four years. 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 five times (500%) the equivalent value at issue.

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.

The Supervisory Board of MAX Automation SE is revising the remuneration system currently in place in accordance with the requirements of Section 87a (1) AktG and the recommendations in part G.I of the German Corporate Governance Code (GCGC). The company is making use of the designated temporary regulations and will present a revised remuneration system for endorsment at the Ordinary Annual General Meeting 2021.

The following tables show the amounts granted to and received by the Managing Directors of MAX Automation SE in the fiscal year 2020. MAX Automation SE explicitly points out at this point that the amounts stated for the phantom shares (both for 2020 and the minimum and maximum amounts) are exclusively those determined in the context of the application of IFRS 2 (Share-based Payment) and are therefore of a more theoretical nature. The underlying calculation logic is explained in the Notes.

Daniel Fink Executive Director (CEO) until 31/03/2019	Benefits granted				Benefits received	
	2020	2020				
kEUR	**(min)**	**(max)**	**2020**	**2019**	**2020**	**2019**
Fixed compensation	0	0	0	80	0	80
Ancillary benefits*	0	0	0	7	0	7
Total	**0**	**0**	**0**	**87**	**0**	**87**
One-year variable compensation (STIP)	0	0	0	51	0	51
Multi-year variable compensation (LTIP)	0	0	0	314	0	314
thereof 2016 to 2019 program[1]	0	0	0	0	0	0
thereof 2017 to 2020 program[1]	0	0	0	0	0	0
thereof 2018 to 2021 program[1]	0	0	0	0	0	0
Total	**0**	**0**	**0**	**452**	**0**	**452**
Pension expense	0	0	0	0	0	0
Total compensation	**0**	**0**	**0**	**452**	**0**	**452**

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

1) Payment in 2019.

Andreas Krause Executive Director (CFO) until 15/06/2020	Benefits granted				Benefits received	
	2020	2020				
kEUR	**(min)**	**(max)**	**2020**	**2019**	**2020**	**2019**
Fixed compensation	124	124	124	270	124	270
Compensation	560	560	560	0	560	0
Ancillary benefits*	16	16	16	35	16	35
Total	**700**	**700**	**700**	**305**	**700**	**305**
One-year variable compensation (STIP)	0	258	0	186	186	40
Multi-year variable compensation (LTIP)	0	92	0	92	0	0
thereof 2018 to 2021 program	0	46	0	46	0	0
thereof 2019 to 2022 program	0	46	0	46	0	0
Total	**700**	**1,050**	**700**	**583**	**886**	**345**
Pension expense	0	0	0	0	0	0
Total compensation	**700**	**1,050**	**700**	**583**	**886**	**345**

*The main ancillary benefits were private use of company car and rent subsidies for housing.

Werner Berens Executive Director since 01/05/2019		Benefits granted			Benefits received	
	2020	2020				
kEUR	(min)	(max)	2020	2019	2020	2019
Fixed compensation	230	230	230	153	230	153
Ancillary benefits*	37	37	37	23	37	23
Total	**267**	**267**	**267**	**176**	**267**	**176**
One-year variable compensation (STIP)	0	255	180	210	210	0
Multi-year variable compensation (LTIP)	0	585	137	48	0	0
thereof LTIP group 2019 to 2021	0	45	0	0	0	0
thereof LTIP group 2020 to 2022	0	45	0	0	0	0
thereof LTIP group 2021 to 2023	0	45	30	0	0	0
thereof LTIP Phantom Shares 2019 to 2021	0	60	13	24	0	0
thereof LTIP Phantom Shares 2020 to 2022	0	60	17	0	0	0
thereof LTIP Phantom Shares 2021 to 2023	0	60	13	0	0	0
thereof LTIP business unit 2019 to 2021	0	90	27	24	0	0
thereof LTIP business unit 2020 to 2022	0	90	20	0	0	0
thereof LTIP business unit 2021 to 2023	0	90	17	0	0	0
Total	**267**	**1,107**	**584**	**434**	**477**	**176**
Pension expense	0	0	0	0	0	0
Total compensation	**267**	**1,107**	**584**	**434**	**477**	**176**

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

Dr. Guido Hild Executive Director since 01/07/2019		Benefits granted			Benefits received	
	2020	2020				
kEUR	(min)	(max)	2020	2019	2020	2019
Fixed compensation	198	198	198	93	198	93
Ancillary benefits*	24	24	24	11	24	11
Total	**222**	**222**	**222**	**104**	**222**	**104**
One-year variable compensation (STIP)	0	151	46	59	60	0
Multi-year variable compensation (LTIP)	0	399	69	29	0	0
thereof LTIP group 2019 to 2021	0	38	0	0	0	0
thereof LTIP group 2020 to 2022	0	38	0	0	0	0
thereof LTIP group 2021 to 2023	0	38	25	0	0	0
thereof LTIP Phantom Shares 2019 to 2021	0	50	11	20	0	0
thereof LTIP Phantom Shares 2020 to 2022	0	50	14	0	0	0
thereof LTIP Phantom Shares 2021 to 2023	0	50	11	0	0	0
thereof LTIP business unit 2019 to 2021	0	45	2	9	0	0
thereof LTIP business unit 2020 to 2022	0	45	0	0	0	0
thereof LTIP business unit 2021 to 2023	0	45	6	0	0	0
Total	**222**	**772**	**337**	**202**	**282**	**104**
Pension expense	0	0	0	0	0	0
Total compensation	**222**	**772**	**337**	**202**	**282**	**104**

*The main ancillary benefits were private use of company car and insurance premiums.

Patrick Vandenrhijn Executive Director since 01/05/2019		Benefits granted			Benefits received	
	2020	**2020**				
kEUR	**(min)**	**(max)**	**2020**	**2019**	**2020**	**2019**
Fixed compensation	230	230	230	153	230	153
Ancillary benefits*	29	29	29	13	29	13
Total	**259**	**259**	**259**	**166**	**259**	**166**
One-year variable compensation (STIP)	0	255	60	172	153	0
Multi-year variable compensation (LTIP)	235	1,120	332	275	235	0
thereof LTIP group 2019 to 2021	0	45	0	0	0	0
thereof LTIP group 2020 to 2022	0	45	0	0	0	0
thereof LTIP group 2021 to 2023	0	45	30	0	0	0
thereof LTIP Phantom Shares 2019 to 2021	0	60	13	24	0	0
thereof LTIP Phantom Shares 2020 to 2022	0	60	17	0	0	0
thereof LTIP Phantom Shares 2021 to 2023	0	60	13	0	0	0
thereof LTIP business unit 2019 to 2021	0	90	8	16	0	0
thereof LTIP business unit 2020 to 2022	0	90	6	0	0	0
thereof LTIP business unit 2021 to 2023	0	90	10	0	0	0
thereof special program 2017 to 2019	235	235	235	235	235	0
thereof special program 2020 to 2022	0	300	0	0	0	0
Total	**494**	**1,634**	**651**	**613**	**647**	**166**
Pension expense	0	0	0	0	0	0
Total compensation	**494**	**1,634**	**651**	**613**	**647**	**166**

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

Dr. Christian Diekmann Executive Director (CEO) since 01/01/2021		Benefits granted			Benefits received	
	2020	**2020**				
kEUR	**(min)**	**(max)**	**2020**	**2019**	**2020**	**2019**
Fixed compensation	0	0	0	0	0	0
Ancillary benefits*	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Sign-on Bonus (one-time bonus)	125	125	125	0	0	0
One-year variable compensation (STIP)	0	0	0	0	0	0
Multi-year variable compensation (LTIP)	900	4,500	357	0	0	0
thereof LTIP Phantom Shares 2021 to 2024	225	1,125	173	0	0	0
thereof LTIP Phantom Shares 2022 to 2025	225	1,125	86	0	0	0
thereof LTIP Phantom Shares 2023 to 2026	225	1,125	57	0	0	0
thereof LTIP Phantom Shares 2024 to 2027	225	1,125	41	0	0	0
Total	**1,025**	**4,625**	**482**	**0**	**0**	**0**
Pension expense	0	0	0	0	0	0
Total compensation	**1,025**	**4,625**	**482**	**0**	**0**	**0**

The Managing Directors received no loans or advances in the 2020 fiscal year. Former Managing Directors of the AG or their surviving dependents did not receive any remuneration in the 2020 fiscal year.

OPPORTUNITIES AND RISK REPORT

Opportunities report

The MAX Group segments serve various megatrends that benefit worldwide from the dynamic technological development in the wake of automation and the digital transformation as well as from changes in the policymaking sphere and society in general. This strategic positioning of the Group opens up opportunities that can have a positive impact on business performance.

MAX Automation understands opportunities to be the possibility of a positive target deviation from the annual budget and medium-term planning stemming from unplanned events or developments. Opportunities arise for the Group companies in particular from the development of new products on a regular basis or from ongoing development of existing products. The MAX Group companies are responsible for ensuring that their products and solutions satisfy the latest technological standards and are strategically well-positioned in their niche markets. Innovations support the Group companies in maintaining and expanding their position in their markets. As small and medium-sized enterprises, the MAX Group companies develop their innovations largely within the framework of specific customer projects, focusing on the market situation and the needs of their customers.

Opportunity management

The management of opportunities encompasses all measures of systematic and transparent handling of entrepreneurial potential. To this end, the Managing Directors of MAX Automation SE enter into a strategic dialogue with the management of the Group companies. The basis for this is a structured process that is standardized throughout the Group, in whose framework discussions are conducted in joint review meetings about operational potential, the implementation of strategies including the presentation of opportunities from relevant market and technology trends and the analysis of competitors. Through the integration into the monthly and annual planning and reporting processes, opportunity management is an essential component of MAX Automation's strategic and value-oriented governance.

Operating opportunities in the segments

In the opinion of the Managing Directors, all core business areas of the MAX Group have a high level of development expertise in their respective markets so that market trends such as sustainability, e-mobility, health and automation can be used to create opportunities for the Group companies. For MAX Automation companies, opportunities primarily arise if economic trends in the manufacturing sector are significantly more positive. After a massive economic slump due to the coronavirus crisis, the Managing Directors are now expecting the German economy to recover. However, it is assumed that the pre-crisis level will not be reached before 2022. Nevertheless, this scenario is also associated with opportunities for the Group companies. It is now apparent that this economic environment is making circumstances favorable for medical technology.

Process Technologies

In the Process Technologies segment, MAX Automation operates in various markets in which the MAX Group expects significant opportunities in combination with overarching drivers of growth:

In industrial production, the degree of automation and the requirements for efficient processes are increasing all the time. In the automotive industry, this relates to the rising demand for powerful driver assistance systems, some of which are as advanced as autonomous driving, as well as the growing need for microelectronics through the increasing use of sensors in vehicles, for example. At the same time, policy guidelines and increased environmental awareness among the general population are resulting in targets being set for sustainable reductions in the CO_2 emissions of conventional combustion engines and the development of powerful electric drives.

With bdtronic and its subsidiary, the Process Technologies segment is operating as a specialist for proprietary mechanical engineering processes, including dispensing technology, hot riveting, plasma treatment and impregnation technology. For example, bdtronic offers solutions for bonding and sealing adaptive cruise control systems in vehicles. With its impregnation technology, bdtronic has a high level of process expertise and experience in the impregnation of electric and hybrid motors for high production volumes.

Environmental Technologies

MAX Automation believes that the Environmental Technologies segment has the following primary growth opportunities:

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, binding requirements, for example in the European Union (EU), to reduce carbon dioxide emissions have already been in place for years. Environmental protection targets and standards in the USA are expected to rise again in the long term after a new administration is elected in November 2020 and the new president declares his country's re-entry into the Paris climate protection act.

With the Vecoplan Group, which is firmly established in the market, MAX Automation has many years of expertise in the development, production and service of individual components and complete systems for efficient recycling and conditioning of primary and secondary raw materials. This gives the MAX Group opportunities to benefit from ever greater requirements for protecting the climate and the environment. The MAX Group expects demand for efficient remanufacturing solutions to rise overall. In this environment, it is pursuing the goal of subjecting existing solutions in valuable recycling to further development and thus adapting to increasingly complex challenges in certain regional markets.

Evolving Technologies

Further opportunities are arising in the Evolving Technologies segment, particularly in the area of medical technology:

Due to demographic trends and the ongoing high demand for medical and healthcare technology, MAX Automation sees good growth opportunities in the medical technology sector over both the medium and long term. This industry is being shaped by global trends including general progress in the field of medicine, growing health consciousness in society, customization of treatment options through “digital e-health solutions," and patients' desires for greater freedom in their treatment, such as in the form of self-medication. At the same time, the medical technology market is associated with high barriers to entry in the form of qualitative, technological and regulatory requirements for manufacturers, which facilitates lasting customer relationships based on trust.

With MA micro automation in particular, MAX Automation possesses the specialized skill sets and necessary technological expertise to meet the many requirements in medical technology. This is substantiated by a rising number of customers even in the coronavirus crisis year. This is a good starting point for consolidating the next stage of the company's development in the in-vitro diagnostics market and broadening its business in addition to its strong position in extraction and testing equipment for contact lenses. In its international business, the company is seeing increased demand for production that is close to the market and a local presence for service and sales. It therefore has sites in Europe, North America and Asia, as well as a worldwide network of sales and service partners, ensuring comprehensive customer support and opening up additional opportunities for order acquisition.

Other opportunities

In addition to the respective growth drivers in its key business areas, the MAX Group sees opportunities in the exploitation of synergies between the Group companies, including a possible consolidation of activities in the areas of purchasing (purchasing volumes and benchmarking for the benefit of purchasing advantages) and financing (especially via cash pooling in the Group). A transfer of expertise and technology as well as best-practice exchange within the MAX Group can lead to the development of new applications in the Group companies and enable further growth opportunities.

Risk report

Risk areas

The business development of MAX Automation SE as the holding company depends essentially on the development of its group companies operating worldwide and is therefore subject to essentially the same risks as those of the MAX Group as a whole via the earnings contributions of the group companies.

Market risks and economic risks:

The World Economic Forum (WEF) regards epidemics such as the outbreak of the COVID-19 pandemic both as an independent business risk and as influencing existing risks. In principle, the business development of the MAX Group is strongly linked to the development of the overall economic environment. The resurgence of the pandemic at the end of 2020 has temporarily slowed the recovery of the overall economy. In this sense, the development of the global economy depends to a large extend on the further course of the pandemic. If further comprehensive containment measures are necessary as a result of the infection and they therefore have a greater impact on the economic recovery than assumed in our forecast report, this development could have a negative impact on the sales and earnings position as well as the strategic plans of the MAX Group in the 2021 fiscal year. In particular, negative impacts on production due to travel restrictions as well as time delays in order placements and project acceptances cannot be ruled out.

All MAX Automation Group companies are also exposed to further market risks, such as geographical and industry-specific economic trends, political or financial changes and existing and new competitors.

Commodity prices and exchange rates also influence the course of business and may adversely affect the future success of the MAX Group. With its three core business areas, MAX Automation is highly specialized and has a strong position in attractive market niches, which reduces both market risks and the general economic risk. As of 31 December 2020, the MAX Group had an order backlog of mEUR 209.4 (previous year: mEUR 199.5), 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 from 2018 onwards, when the earnings forecast for the entire MAX Group was negatively affected due to expenses from ongoing projects of the group companies of the IWM Automation Group.

Since then, MAX Automation has counteracted the risk of misjudgments through a Group-wide project-related risk management approach. The goal is an even more conscious approach to handling 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 MAX Group's lending banks have a direct influence 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. MAX Automation complied with the agreed covenants in 2020 respectively the review was partially suspended. The counterparty default risk is limited by the fact that banking transactions are concluded exclusively with reputable banks.

There are risks from the ongoing closure processes of the companies in the non-core business. Risks may arise primarily from the fact that the remaining projects of the companies may not be completed as planned and that the expenses for these projects may exceed the provisions made.

Other risks

Loss of efficiency due to non-uniform ERP systems:

MAX 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).

Risks from equity investments:

The revaluation of our investments as part of impairment tests may result in risks due to impairment of goodwill.

Litigation

MAX Automation is party to litigation in connection with the sale of the former Group company NSM Packtec GmbH and in connection with the acquisition of Shanghai Cisens Automation Co., Ltd. MAX Automation asserts claims in both arbitration proceedings and is also exposed to counterclaims in each case. Payment claims against MAX Automation that would result from a negative outcome of the proceedings could have an impact on the Group's future annual results. Possible reputational losses cannot be ruled out. In both proceedings, however, the prospects of success for MAX Automation are considered to be predominantly positive as things currently stand.

Risk management system/internal control system

Scope of application

In the MAX Group, there is a Group-wide risk management system that complies with the German Law on Control and Transparency in Business (KonTraG). 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 the 2018 fiscal year, measures were introduced to restructure risk management and internal control and reporting systems, which have been continuously expanded since then.

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, that is, the maximum expected loss is determined (worst case).
- The lead management company MAX Automation SE carries out central monitoring.

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, that is, 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, that is, 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%
Possible probability of occurrence	10 – 50%
High probability of occurrence	> 50%

The net risks of the risk areas add up to the total risk potential of the MAX 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.

The Managing Directors and the Supervisory Board are immediately informed 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 managerial accounting departments of MAX Automation and the Group companies.

Key features of the risk management system for accounting 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 Group companies. The accounting manual is regularly updated. 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. The internal control, accounting and managerial accounting functions of MAX Automation carry out monitoring on a random basis.

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.

The functions in all areas of the accounting process (such as financial accounting, internal control 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 Group companies report to the parent company on the performance from the past month and the current fiscal 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 the 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 General Managers 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 and strategic corporate planning is an essential component of the RMS. At the end of each fiscal year, the General Managers of the Group companies present the current course of business and explain their respective further corporate strategies. This is the basis for the corresponding five-year plans for business development, investment and liquidity development. 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 and ICS.

The internal control system for accounting was first optimized and subjected to further development in 2018. Building on this, a cross-process internal control system guideline was also rolled out in 2020. In this context, major Group companies appointed local internal control system officers to ensure local implementation of the specified minimum controls.

The RMS/ICS also includes regular training of all employees. For example, workshops are held on the application of accounting standards (e.g., IFRS 15 and IFRS 16), accounting rules, the risk control matrices of the internal control system guideline, local control documentation and software tools. In the acquisition of new companies, 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.

As part of the audit for fiscal year 2020, the auditor examined the risk early warning 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 early risk identification.

Overall risk and opportunity situation

The MAX Group's overall risk and opportunity situation is made up of the individual risks and opportunities described for all risk and opportunity categories. In addition to the risk categories presented, there are unexpected events that could have a negative impact on the business performance and thus also on the income from operations, the financial situation and the assets of the MAX Group. The established risk and opportunity management system is continuously monitored and subjected to further development so that opportunities and risks can be identified at an early stage and the current opportunity and risk situation can be met with success. The overall risk and opportunity situation of the MAX Group remains essentially unchanged. The MAX Group's total risk potential amounted to around mEUR 6.4 at the end of 2020 (prior year: mEUR 6.6). This includes the net risk potential of 35 (prior year: 36) quantifiable individual risks. In addition, there were 166 (prior year: 170) unquantifiable individual risks. In view of the business volume and the overall economic situation, the total risk potential is considered to be appropriate and easily manageable. At present, no risks have been identified that could endanger the existence of the MAX Group either separately or in interaction with other risks.

Approximately half of the total risk potential is attributable to the risk area of "financial risks."

Corporate Risks	Probability of occurrence	Possible financial impact	Risk situation for 2020 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	higher
Legal risks	low	minor	equal
Risks from equity investments	possible	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)

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 accounting 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 recognized in the balance sheet and so transferred to the external accounts.

The clear organizational, 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 MAX Group was restructured in 2018 and further elaborated in 2019 and 2020. This ongoing process, which is designed to optimize reporting and controlling instruments as well as internal control structures will also be continued in 2021.

OUTLOOK

Overall economic environment

Although recent vaccine approvals have raised hopes for a turnaround in the pandemic before the end of 2021, renewed waves as well as mutations of the coronavirus raise concerns for the outlook. Amid the extraordinary uncertainty, the global economy is forecast to grow by 5.5 % in 2021 according to calculations by the International Monetary Fund (IMF). Governmental support measures in major economies and an economic revival in the course of 2021 boosted by comprehensive vaccination programs are expected to offset the slowdown in growth momentum due to rising infections. In the USA and Japan, a full recovery is expected as early as the second half of 2021, and in the eurozone and the United Kingdom from 2022. In the emerging and developing countries, the recovery will also proceed at different speeds. Strong growth is again expected for China (8.1 %) and India (11.5 %) in particular in 2021.[1]

For the eurozone, the economic research institutes of the EUROFRAME group, which includes the Kiel Institute for the World Economy (IfW), expects a strong recovery of 4.9 % in the course of 2021 following a renewed decline in overall economic output at the end of the past fiscal year. However, the economy will continue to suffer the effects of the second wave of COVID-19 throughout the first quarter of 2021. Nevertheless, a significant recovery is likely to start when large parts of the population are vaccinated and the number of new infections declines significantly, so it is assumed that the far-reaching restrictions on social and economic activity will be lifted. According to EUROFRAME, the economy could then pick up speed again and the pent-up purchasing power of the past few months could have an impact on demand.[2]

1 https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
2 https://www.ifw-kiel.de/de/publikationen/euroframe-prognose/economic-assessment-of-the-euro-area-winter-202ss2021-15912/

According to the German government, the German economy will continue to recover in the course of the year provided that the coronavirus situation eases. For 2021, the German government expects price-adjusted gross domestic product to increase by 3.0 % year-on-year.[3] With the coronavirus pandemic flaring up again in the fall of 2020 and the containment measures reintroduced since November, the IfW does expect a delay in the recovery of the German economy. Nevertheless, according to the IfW, the export-oriented German industry in particular will come through the winter half-year largely unscathed thanks to the comparatively robust global economy.[4]

3 https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2021/01/20210127-bundeskabinett-beschliesst-jahreswirtschafts-bericht-corona-krise-ueberwinden-wirtschaftliche-erholung-unterstuetzen-strukturen-staerken.html
4 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_74_2020-Q4_Deutschland_DE.pdf

Trends in relevant industries

In 2021, the German Engineering Federation (VDMA) expects the 4 % production growth in light of the decline last year to be only the beginning of the process of catching up from a low level.[1] The slight improvement in economic activity had an impact on the forecast for 2021 with an increase of 2 percentage points.[2] There is considerable confidence among mechanical and plant engineering companies in terms of demand. Three out of four companies expect sales to grow, and around half even consider an increase of up to 10 % to be realistic. Hopes are pinned in particular on the sales markets in China and the USA. Mechanical and plant engineering companies are less positive about developments in the European sales markets.[3] For example, the VDMA notes that the pandemic is not over, and the recurring discussions about lockdowns as well as the tightened travel restrictions continue to be serious burdens and make a sustainable upswing more difficult. A renewed rise in global demand and business activity with as little interruption as possible are key for the further development of the export-oriented mechanical and plant engineering sector.[4]

Following an increase in the production forecast by the VDMA as a result of the improving economy, the VDMA Robotics + Automation Association also expects demand to pick up in 2021. With a 6 % increase in industry sales, the robotics and automation industry will reach 2016 levels in 2021, remaining below the previous record set in 2018. In a volatile situation, further shutdown measures in particular could jeopardize positive developments.[5]

According to the German Association of the Automotive Industry (VDA), the international passenger car markets will slowly improve in Germany, even if the previous year's declines cannot be fully compensated for in 2021. Despite a low basis for comparison, vehicle sales in the individual markets – with the exception of China – will only slowly approach pre-crisis levels. The second half of 2021 in particular is expected to bring an improvement, when vaccination progress will be advanced enough that the pandemic can be noticeably contained in everyday life.[6] The VDA is forecasting sales growth of 9 % in the global passenger car market and 12 % in Europe in 2021. The Chinese passenger car market will already exceed pre-crisis levels again in 2021 with growth of 8 %.[7]

1 https://www.vdma.org/v2viewer/-/v2article/render/61366640
2 https://www.vdma.org/v2viewer/-/v2article/render/57181145
3 https://www.vdma.org/v2viewer/-/v2article/render/60417916
4 https://www.vdma.org/v2viewer/-/v2article/render/61074067
5 VDMA Mechanical Engineering Business Outlook for Germany
6 https://www.vda.de/de/presse/Pressemeldungen/210126-2021-entscheidet—ber-die-Zukunft-der-Industrie-in-Deutschland-und-Europa.html
7 https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html

Current forecasts on the development of the medical technology industry for 2021 were not available from either the industry association Spectaris nor the German Medical Technology Association (BVMed) at the time this report was prepared. Nevertheless, Spectaris and the management consulting company Roland Berger expect fundamental market and competitive changes in the medium to long term as a result of the coronavirus pandemic, which will bring opportunities and challenges in equal measure. Accordingly, it is central for current and future competitiveness to capture new markets and customer contacts through digital excellence as well as automation in production and supporting health care processes while price pressure and regulatory burdens remain high in an environment of increasing market consolidation.[8]

Current forecasts on the development of the recycling and waste disposal industry for 2021 were not available from the Federal Association for Secondary Raw Materials and Waste Disposal (bvse) or the VDMA Waste and Recycling Technology Association at the time this report was prepared. Nevertheless, the industry is cautiously optimistic about 2021. According to a survey conducted by the VDMA among its members, around 78 % of manufacturers of waste and recycling technology machinery and equipment expect a slight recovery in 2021. In the future, the industry as a whole will benefit from a new action plan for the recycling management economy from the EU commission. New products will also be designed with the recycling management economy in mind in the future. One of the plans is to increase the proportion of recycled materials in new products. The VDMA Waste and Recycling Technology Association sees enormous potential in the reuse of plastics in particular.[9]

8 https://www.spectaris.de/verband/aktuelles/detail/corona-fuehrt-zu-unumkehrbaren-umbruechen-in-der-medizintechnik-branche/
9 https://www.vdma.org/documents/266241/57307734/VDMA%20Abfall-%20und%20Recyclingtechnik_Branchenkonjunktur_final_1607595529775.pdf/2fddc30a-3d22-cb0b-b2d4-a421e475ab29

Prospective development in the financial year 2021

In principle, the business development of the MAX Group is strongly linked to the development of the overall economic environment. The Managing Directors base the forecast for the 2021 fiscal year on expectations and assumptions of the overall economic environment and the development of relevant sectors.

Although the resurgence of the COVID-19 pandemic at the end of 2020 has temporarily slowed the recovery of the overall economy, it is generally believed that the pandemic will not have a lasting impact on the global economy. Assuming a normalization of business and travel activity, an economic recovery in 2021 and robust growth in the global economy are foreseeable. The forecast assumes that there will not be any new far-reaching lockdowns and that there will not be a renewed reluctance to invest as severe as in the first lockdown. The impacts of mutations of the virus were not taken into consideration. Overall, the Managing Directors anticipate that the first two quarters of 2021 will still be subdued, but that rising vaccination numbers will be associated with a significant economic recovery starting in the second half of the year. A pandemic-related impairment of goodwill was not assumed in the forecast of earnings.

If further comprehensive containment measures are necessary as a result of the infection and they therefore have a greater impact on the economic recovery than we had assumed, this development could have a negative impact on our order, sales and earnings position as well as our strategic plans for the MAX Group in the 2021 fiscal year.

Independent of the temporary effects of the pandemic, the Managing Directors expect a positive development of the MAX Group in the 2021 fiscal year and beyond. Based on the current macroeconomic and industry-specific outlooks and the trends in the markets in which the core business Group companies operate, the Board of Directors assumes that demand for the solutions offered by these companies will remain strong. The early identification of trends and a corresponding strategic orientation are essential for the long-term business success of the MAX Group. Currently, the Supervisory Board and the Managing Directors are working on a further development of the Group strategy as well as an associated governance structure that meets the changing operational requirements. The new strategy is expected to be rolled out by mid-2021.

Uniform standards for risk management and managerial accounting as well as clear and binding guidelines for the acquisition of orders and project management play an important role in increasing efficiency in the Group and reducing its risk profile. Substantial investments have been made in appropriate management systems, and this focus will be further developed in line with developments in the current and subsequent fiscal years. For the purpose of stabilization, the ERP systems are being further professionalized. Group-wide cash pooling is being introduced to optimize borrowing.

An important factor in 2021 will be the completion of the last critical projects from IWM Automation GmbH, which ceased operations on 30 September 2020. IWM Automation Poland will cease operations in the course of 2021. The restructuring processes of ELWEMA Automotive GmbH and iNDAT Robotics GmbH will be continued with the aim of achieving a sustainable turnaround of these companies.

Summary statement on the prospective development

In view of the continuing burdens due to the pandemic – it is still unclear how long it will last – as well as further losses from the settlement of the Non-Core Businesses included in the planning, the financial challenges for the MAX Group will continue in the 2021 fiscal year. Irrespective of the aforementioned challenges, however, the MAX Group considers itself to be strategically well positioned with its core business areas. The Managing Directors see the order backlog of mEUR 209.4 at the beginning of 2021 as a good starting point for development in the course of the year. Sales and earnings should increase compared to the challenging previous year.

Provided that the assumptions and expectations for the MAX Group described above prove to be correct and there is therefore no unexpected worsening of the pandemic or significant deterioration in economic development, sales revenues are expected to increase strongly in the 2021 fiscal year, which amounted to mEUR 307.0 in the 2020 fiscal year. For the operating earnings before interest, taxes, depreciation and amortization (EBITDA) of the MAX Group, the Managing Directors predict, based on the current portfolio and the presented expectations for the overall economic developments, a profitable development in the core business segments and a strong increase in EBITDA for the MAX Group above the previous year's value of mEUR 5.7.

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 strong increase in profit transfer and investment income for the financial year of 2021.

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 2021

The Managing Directors

Dr. Christian Diekmann   Werner Berens   Dr. Guido Hild   Patrick Vandenrhijn