ANNUAL REPORT
2020

FRIEDRICH VORWERK GROUP SE
21255 Tostedt

Friedrich Vorwerk in figures

Business year	2020	2019	Δ2020 /2019
	€k	**€k**	**%**
Order backlog	306,508	285,775	7.3
Order intake	312,524	290,703	7.5
Earnings figures (adjusted*)	**€k**	**€k**	**%**
Revenue	**291,228**	**179,331**	62.4
Operating performance	291,236	179,887	61.9
Total performance	305,358	185,582	64.5
Cost of materials	-128,275	-82,476	55.5
Staff costs	-89,446	-51,591	73.4
EBITDA	58,570	36,664	59.8
EBITDA margin	*20.1%*	*20.4%*	
EBIT	47,394	28,933	63.8
EBIT margin	*16.3%*	*16.1%*	
EBT	42,651	28,199	51.3
EBT margin	*14.6%*	*15.7%*	
Consolidated net profit	**30,521**	**23,417**	30.3
Earnings figures (IFRS)	**€k**	**€k**	**%**
EBITDA	58,822	41,807	40.7
EBIT	47,468	33,831	40.3
Consolidated net profit	30,559	28,385	7.7
Figures from the statement of financial position (IFRS)	**31/12 €k**	**31/12 €k**	**%**
Non-current assets	72,009	61,270	17.5
Current assets	104,903	106,197	-1.2
thereof cash and equivalents	45,254	52,361	-13.6
Issued capital	3,120	2,000	56.0
Other equity	60,484	35,880	68.6
Total equity	63,604	37,880	67.9
Equity ratio	*36.0%*	*22.6%*	
Non-current liabilities	42,793	37,295	14.7
Current liabilities	70,515	92,291	-23.6
Total assets	176,912	167,466	5.6
Net debt (net debt (-)/net cash (+))	27,851	31,828	-12.5
Employees	**1,304**	**1,239**	5.2

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

Contents

Report of the Supervisory Board

In the year under review, the Supervisory Board ensured that it was continuously informed about the business and strategic development of the company and advised and monitored the Management Board in accordance with the tasks and responsibilities required of it by law, the Articles of Association. This meant that the Supervisory Board was informed about the strategy, business policy and planning, the risk situation and the net assets, financial position and results of operations of the Vorwerk Group at all times.

This was achieved by personal talks between the Chairman of the Supervisory Board and the Management Board on the course of business and regular meetings of the Supervisory Board, which were all held as video conferences on account of the COVID-19 pandemic. All members of the Supervisory Board and, if necessary, the members of the Management Board of the company took part in these video conferences.

Main issues discussed and resolutions of the Supervisory Board

At the individual meetings, the Supervisory Board analysed the company's current business development together with the Management Board and discussed its strategic focus. The topics discussed included the economic situation of the company and the individual subsidiaries. To the extent that individual transactions required the approval of the Supervisory Board in accordance with the Articles of Association or the law, the Supervisory Board examined these transactions and resolved whether to grant its approval. The Supervisory Board's discussions also extended to the effects of the COVID-19 pandemic. The Supervisory Board and the Management Board maintained constant contact in the 2020 financial year to ensure the best possible organisation of the measures taken to protect the health of the employees of the Vorwerk Group as their top priority, and also to minimise the economic impact of the financial position and financial performance of the Group. Furthermore, at all times the Supervisory Board was very closely involved in the preparations underway from the start of the fourth quarter of 2020 for a possible IPO of the company. The Supervisory Board has examined the plans at length and considers such a step to be a suitable means for supporting the positioning of the Vorwerk Group as a leading company in the energy revolution in Europe.

The Annual General Meeting on 6 July 2020 of Youco M19-H-99 dual Vorrats-SE, now renamed to Friedrich Vorwerk Group SE, appointed Mr Klaus Seidel, Mr Gert-Maria Freimuth and Mr Anton Breitkopf as members of the Supervisory Board. They have been appointed until the end of the Annual General Meeting that will adopt a resolution on official approval of their actions for the fifth financial year after the start of their term in office. This does not include the financial year in which their term in office begins. In any event, their term in office will end after six years. The appointment of the previous members of the Supervisory Board, Ms Angelika Hundt, Mr Simon Fritzsche and Mr Kai Anschütz, ended as scheduled with the Annual General Meeting on 6 July 2020. At its first meeting on 6 July 2020, the newly appointed Supervisory Board dismissed the previous member of the Management Board, Ms Steffi Brettschneider, effective 6 July 2020 and appointed Mr Torben Kleinfeldt as the new member of the Management Board of the company with sole power of representation. His appointment lasts until 6 July 2026.

By way of resolution of the extraordinary general meeting of Youco M19-H-99 dual Vorrats-SE on 14 July 2020, the company was renamed Friedrich Vorwerk Group SE, its purpose was changed and its registered office was moved to Tostedt.

By way of resolution of the extraordinary general meeting of Friedrich Vorwerk Group SE on 28 July 2020, in place of the previous member of the Supervisory Board, Mr Klaus Seidel, Dr Christof Nesemeier was appointed to the Supervisory Board for the remainder of his term in office. At its meeting on 28 July 2020, the Supervisory Board appointed Dr Christof Nesemeier as the Chairman of the Supervisory Board and Mr Gert-Maria Freimuth as his deputy.

The Supervisory Board duly engaged the auditor elected by the Annual General Meeting of 25 September 2020, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, to audit the annual and consolidated financial statements and the Group management report for the 2020 financial year. The auditor confirmed to the Supervisory Board that there are no business, financial or other relationships between the auditor, its executive bodies and head auditors on the one hand, and the company and the members of its executive bodies on the other, that could give rise to doubt as to its independence.

The Supervisory Board intensively discussed the capital increase against non-cash contributions that was resolved by the extraordinary general meeting of the company on 25 September 2020. Furthermore, in its post-formation report of 12 October 2020, as a precaution in accordance with section 52(3) of the *Aktiengesetz* (AktG – German Stock Corporation Act), the Supervisory Board recommended that the Annual General Meeting approves the contribution agreements in conjunction with the performance of the non-cash capital increase resolved on 25 September 2020. The approval of the contribution agreements was resolved by the extraordinary general meeting on 13 October 2020.

At its meeting on 12 November 2020, the Supervisory Board appointed Mr Tim Hameister to the Management Board of the company with sole power of representation in charge of Finance and HR (Chief Financial Officer, CFO). His appointment lasts until 30 September 2023. The member of the Management Board Mr Torben Kleinfeldt was made the Chief Executive Officer (CEO).

At its meeting on 30 December 2020, the Supervisory Board approved the annual financial statements for the year ended 31 December 2019, which were prepared, voluntarily, in accordance with IFRS and audited by RSM GmbH

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which issued an unqualified audit opinion on 22 December 2020.

Composition and committees of the Supervisory Board

The members of the Supervisory Board are:

Dr Christof Nesemeier (Chairman), since 28 July 2020

Gert-Maria Freimuth, Deputy Chairman, since 6 July 2020

Anton Breitkopf, since 6 July 2020

The Supervisory Board has three members. It has therefore not formed any committees. All issues were dealt with together in the interest of the greatest possible efficiency.

Adoption and approval of the financial statements

The annual financial statements of Friedrich Vorwerk Group SE as at 31 December 2020 were prepared in accordance with the principles of German commercial law and the consolidated financial statements as at 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) and, together with the Group management report for the Vorwerk Group, were audited by the auditor elected by the Annual General Meeting and engaged by the Chairman of the Supervisory Board, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and issued with an unqualified audit opinion dated 6 February 2021.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the proposal for the appropriation of net profit, the consolidated financial statements and the Group management report, and discussed them with the auditor at their meeting on 6 February 2021. The auditor comprehensively answered all the Supervisory Board's questions. The Supervisory Board received the audit report in good time before the meeting. Following the completion of its examination, the Supervisory Board did not raise any objections to the annual financial statements, the consolidated financial statements or the Group management report. The Supervisory Board shares the opinion of the Management Board as expressed in the consolidated financial statements and the Group management report and approves the proposal by the Management Board on the appropriation of net profit. The consolidated financial statements were approved by the Supervisory Board on 6 February 2021. The annual financial statements of Friedrich Vorwerk Group SE have been adopted.

The Supervisory Board would like to thank the Management Board, the management teams of the subsidiaries and all employees of the Vorwerk Group for their high level of commitment and the good results achieved in the past financial year.

Tostedt, 6 February 2021

The Supervisory Board

Dr Christof Nesemeier

Chairman

Combined Management Report and Group Management Report

General information

Friedrich Vorwerk Group SE, domiciled in Tostedt, forms together with its subsidiaries the Vorwerk Group.

The separate financial statements of Friedrich Vorwerk Group SE were prepared in accordance with the provisions of the German Commercial Code and German Stock Corporation Act, while the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRS IC) on the IFRS, as adopted in the EU and the supplementary provisions of German commercial law in accordance with section 315e(1) HGB.

The combined management report compromises the Vorwerk Group (also referred to as the "Group" or "Vorwerk") and the parent company Friedrich Vorwerk Group SE, domiciled in Tostedt, Germany. It was prepared in accordance with the provisions of the HGB and German Accounting Standard (GAS) No. 20. Additional information on the annual financial statements of Friedrich Vorwerk Group SE is included in the section on the results of operations, financial position and net assets.

Unless stated otherwise, all information in this report refers to 31 December 2020 or the financial year from 1 January to 31 December 2020. Percentages and figures in this report may be subject to rounding differences.

Purely to improve readability, this report refrains from the simultaneous use of male, female or other linguistic forms. All references to persons apply to all genders unless stated otherwise.

Business model

Vorwerk is a beneficiary of the European energy revolution. For more than 50 years, our name has stood for technical expertise, reliable work and innovative solutions in designing, building and operating energy infrastructure on our three core markets of natural gas, hydrogen and electricity.

Thanks to our integrated turnkey approach and a number of our own components and technologies, we are able to offer our customers high-quality and bespoke solutions from a single source. This way, we allow utility companies, grid operators, industrial companies and municipalities to operate complex energy networks and systems.

As one of the most dynamic German companies in the areas of planning & design, energy grids, energy transformation and service & operations, we cover all key links in the value chain. This way, we are not just helping our customers to operate reliable and cost-efficient energy infrastructure, but are also making a significant contribution to the security of the energy supply in Europe. Our basis for this is the synthesis of state-of-the-art technology and the knowledge and experience of more than 1,300 qualified employees at twelve locations in Germany and Europe.

The energy revolution will bring a fundamental reorganisation of the European energy markets, from which we will benefit considerably on our core markets of natural gas, electricity and hydrogen. Vorwerk therefore still believes in dynamic and simultaneously profitable growth – above all on markets where there is demand for turnkey solutions.

Our goal is to keep aligning our service and product portfolio in line with the requirements of our core markets and needs of our customers. We will achieve this not just by investing in our products and technologies, and in our locations and employees, but also with selective and value-adding acquisitions.

Economic report

General economic environment

As a result of the COVID-19 pandemic, the global economy is believed to have shrunk by 4.2% in 2020, after growth of 3.0% in the previous year. The far-reaching lockdown measures that were introduced in most countries of the world as early as spring 2020 hurt not only global commerce, but also the domestic economies of most countries. Thanks to significant monetary and fiscal policy stimulus by central banks and governments around the world, and an easing of lockdowns over the summer, the global economy initially began to recover somewhat as the year progressed, before far-reaching restrictions on everyday life were reintroduced at the end of the year.

In the euro area, the OECD is forecasting a decline in economic growth of 7.5% in 2020. Here, too, the effects of the COVID-19 pandemic have been keenly felt, and hit the countries of southern Europe especially hard on account of lockdown and travel restrictions. At the same time, there was considerable uncertainty in connection with Brexit and the developments surrounding the presidential elections in the USA.

German GDP likewise declined by 5.0% in 2020, which meant that it navigated the economic crisis stemming from the COVID-19 pandemic relatively better than other euro area countries. On the basis of an assumed gradual easing of the current lockdowns, and the still significant support and investment programmes, the ifo Institute forecasts that the German economy will recover by 4.2% in 2021.

General industry environment

The Vorwerk Group plays an active role in the European energy revolution and in creating a secure and forward-looking sustainable energy infrastructure.

The structural environment for energy supply is still defined by rising energy demand and the need to significantly reduce carbon dioxide emissions in order to curb climate change. If not before, it has been clear since the European Commission called for a climate-neutral European continent by 2050 and the associated Green Deal that the energy industry must undergo a fundamental transformation if it is to achieve the ambitious climate targets in the coming decades. Many countries, above all Germany, are therefore striving to or have already resolved to gradually reduce their conventional generation capacity based on fossil and nuclear energy, and to expand their use of renewable energies. On top of this, there is the challenge to manage the transition to low-carbon generation while maintaining economic efficiency and ensuring the security of supply. At the same time, large industrial energy consumers are making considerable efforts to significantly scale back their final energy consumption and to adapt their processes to more climate-friendly energy sources as far as possible.

Germany, for example, is using the following central measures to achieve its ambitious climate targets by 2050: massive expansion of the existing natural gas infrastructure to compensate for the phase-out of nuclear and fossil fuels, the creation of “electricity highways” within Germany to distribute renewable (wind) energy from north to south, and promoting the use of green hydrogen to decarbonise industry, mobility and buildings. As a fully integrated solutions provider for all areas of energy infrastructure, the Vorwerk Group is ideally positioned for all these measures and is already involved in their actual implementation in a number of cases.

The forecast for the German energy industry is better than for the economy as a whole. The German Federal Association of the Energy and Water Industry rates the energy industry as having among the highest investment of any sector in Germany, with more than €320 billion projected by 2030. It forecasts that the industry will deliver key economic stimulus, allowing GDP in Germany to rise by 0.6% per year. The investment in the expansion of the electricity transmission grid alone is set to exceed a volume of €60 billion by 2030. Above all, the major north-south electricity highways for high-voltage direct current transmission account for a considerable portion of this. As lawmakers have ordered that these lines will primarily use underground cabling, this means substantial revenue potential for Vorwerk on these major projects specifically. The German gas transmission network is also to receive expansion investment of approximately €9 billion by 2030. In addition to the gradual transition from low calorific L gas to high-calorific H gas, the various international pipeline links are another key area of investment for transmission network operators in the gas sector. The hydrogen economy is currently experiencing a rapid increase in investment volumes not just in Germany, but also on the European stage in particular. A total investment volume of up to €430 billion by 2030 is anticipated to achieve the goals of the European hydrogen strategy. Also, the German government has earmarked subsidies of a further €9 billion in its national hydrogen strategy.

Business development/Significant events

The 2020 financial year was dominated by several major projects that were worked on simultaneously. In Energy Grids, these were mainly lots 5 to 8 of the “EUGAL” gas pipeline, lots 3 and 5 of the “ZEELINK” project, the Datteln-Herne natural gas transport line and the first section of the hydrogen pipeline as part of the “GET H_2 Nukleus” project. The main Energy Transformation project was the “Würselen” compressor station. Furthermore, oxy fuel systems were prefabricated and delivered for major international power plant systems.

A major project planned for the 2020 financial year in the area of underground powerline construction, a specialist area of the Bohlen & Doyen Group acquired by Vorwerk in December 2019, had to be postponed until 2021 due to supply bottlenecks of the cable manufacturer. The resources that became available as a result were largely allocated to other projects. The excellent cooperation between the units of Bohlen & Doyen and Friedrich Vorwerk was a key factor in all projects being completed on schedule. Another major power cable construction project was acquired in the 380-kV line between Ganderkesee and St. Hülfe.

In addition to the integration of the Bohlen & Doyen Group into project processing, a number of organisational and commercial processes between the companies were already harmonised in the 2020 financial year. For example, the introduction of a joint ERP system was launched and a number of ancillary processes such as warehousing and recruitment were already standardised.

Special attention was paid to the construction of the new "pigsar" high-pressure gas meter test rig. The "closed loop pigsar" was completed in the year under review and, from the 2021 calendar year, will officially calibrate large-volume gas meters from all over the world. For the first time, several gas analysis systems and the "OrQa" flow meters that we developed were produced at our new location in Wiesmoor in the year under review. In conjunction with an existing framework agreement with a major customer, Vorwerk was commissioned to oversee a hydrogen research project. This project is to investigate the separation of hydrogen from natural gas flows using membrane processes. Vorwerk can fully incorporate its existing expertise that has resulted from years of experience in the field of biogas treatment.

Stand-by services for the nationwide high-pressure gas network were expanded further in Service & Operations. Consequently, for example, new pipeline sections between the Ruhr area and Cologne and eastern Germany were secured.

The business activities of the Vorwerk Group have not been left unscathed by the effects of the global COVID-19 pandemic. Substantially greater effort was required in the year under review to allow foreign workers to cross borders smoothly. Access to some project sites was directly affected by government regulations. Work on some projects had to be temporarily halted as a result.

The highest order intake in the company's history was recorded in the year under review. One example of this is a section of the "Baltic Pipe" project, the aim of which is to create a new gas supply corridor on the European market. The Baltic Pipe will enable the transportation of natural gas from Norway to markets in Denmark and Poland, and to consumers in neighbouring countries. Furthermore, as part of a syndicate, Vorwerk received a contract to build a new gas transport pipeline around 33 kilometres long between Walle Station and the Volkswagen factory grounds in Wolfsburg. This pipeline has been designed to be suitable for transporting gas with a high hydrogen share.

Material events

In September 2020, the limited partners of Friedrich Vorwerk SE & Co. KG (formerly: Friedrich Vorwerk KG (GmbH & Co.)), the previous parent company of the Vorwerk Group, contributed 89.925% in total of the shares in Friedrich Vorwerk SE & Co. KG to Friedrich Vorwerk Group SE, which thereby became the new parent company of the Vorwerk Group.

In the year under review, the operating grounds and buildings of Bohlen & Doyen and EAS Einhaus Anlagenservice GmbH in Wiesmoor and Geeste were acquired by Friedrich Vorwerk SE & Co. KG. This highlights the long-term significance of these locations to the Group. The Group's activities in the field of Energy Transformation were bundled at the Wiesmoor location as part of the integration of Bohlen & Doyen, which was acquired in the previous year.

Research and development

Innovation, efficiency enhancement and the continuous evolution of our core competence and technologies are a central component of the Vorwerk Group's corporate philosophy. Global megatrends in technology and society also drive our research and development activities.

Our research and development activities are typically project-based and, in most cases, are performed together with a customer in order to optimise an existing product or to develop a new product for its specific requirements. To a limited extent, we also engage in research and development activities that focus on technologies, systems and procedures that, given their general applicability, have the potential to support or even enhance the growth of our natural gas, electricity and clean hydrogen business areas. These include H_2-ready components and technologies to reduce CO_2 as well as more efficient and practical construction processes and technologies to improve project flow and enrich customer benefits. Our efforts in the area of research and development are aimed at delivering innovation with high market acceptance, swift adoption potential and far-reaching upgrade potential for existing infrastructures. We strive to combine the real market experience of our engineers with scientific support from nearby universities in the form of project-based cooperation.

To consolidate our position as a leading provider of energy infrastructure, we are working on a series of new technologies such as hydrogen-ready flow measurement and regulating systems, adapted vortex pipe systems, special near-surface HDD boring processes, adapted biogas treatment systems and hydrogen-ready safety and control valves.

Group structure

Friedrich Vorwerk Group SE is the parent company of the Vorwerk Group. In addition to Friedrich Vorwerk Group SE, 12 subsidiaries in total (previous year: 10) are directly or indirectly included in the consolidated financial statements as at 31 December 2020.

Companies included in the consolidated financial statements Name and registered office of the company	Shareholding in %
Subsidiaries (consolidated)	
Friedrich Vorwerk Management SE, Tostedt, Germany	100.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	**89.93**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	89.93
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	89.93
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	89.93
European Pipeline Services GmbH, Tostedt, Germany	89.93
Vorwerk - ASA GmbH, Herne, Germany	89.93
Vorwerk-EEE GmbH, Tostedt, Germany	89.93
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	89.93
Vorwerk Verwaltungs GmbH, Tostedt, Germany	89.93

We also hold various equity investments in joint ventures (working groups).

Segments

Given their different market prospects, Vorwerk differentiates between the four business segments of Natural Gas, Electricity, Clean Hydrogen and Adjacent Opportunities, which are described in more detail below.

Our **Natural Gas** segment comprises the transport and conversion of raw natural gas into treated natural gas for our customers. This is done through a number of steps: transporting the natural gas through high-pressure pipelines to processing in filtering and separation plants, compressor stations, storage and measurement systems, LNG terminals and gas pressure control and measurement systems. We typically design our natural gas infrastructure solutions according to the individual requirements of our customers, so that they benefit from lower CO_2 emissions when operating our systems and can maintain very high standards of operating safety. We deliver such energy infrastructure solutions for the natural gas projects of a number of leading European transmission network operators and certain energy and industrial companies, such as Gascade, Open Grid Europe and Ontras. Revenue in the Natural Gas segment grew by 49.2% year-on-year to €215.8 million in the 2020 financial year. EBIT amounts to €34.8 million (previous year: €21.7 million). The EBIT margin is 16.1%. The order backlog amounts to €224.3 million as at the end of the reporting period (previous year: €228.6 million).

Our **Electricity** segment concentrates on providing the infrastructure for the underground transport and conversion of electricity, which is generated from climate-friendly, non-fossil energy sources such as wind, solar, hydro and regenerative resources. Our expertise in electricity transport and conversion focuses on landing offshore electricity and installing high-voltage underground cables through which this electricity is transported to transmission networks. At the end of these cables are connection points in the form of transformer stations, inverters and power-to-heat systems, which connect the transmission networks to local energy distribution networks. The adoption of the amended *Energieleitungsausbaugesetz* (German Power Grid Expansion Act) in 2015 created the legal framework for the rapid expansion of underground power lines, which led to new projects to lay underground cable. As Germany is currently phasing out fossil fuel and nuclear power, renewable energy sources are becoming an ever more important source of energy and a key factor in the clean energy revolution. As in our Natural Gas segment, we develop bespoke solutions for our customers' individual applications. We provide such energy infrastructure solutions for the operations of a number of leading European transmission network operators and certain energy and industrial companies, such as TenneT, Prysmian and ABB. Boosted by the acquisition of Bohlen & Doyen, the revenue in the Electricity segment grew significantly to €36.3 million in the

2020 financial year (previous year: €3.0 million). EBIT amounts to €7.7 million (previous year: €1.0 million). The EBIT margin is 21.3%. The order backlog amounts to €38.3 million as at the end of the reporting period (previous year: €34.3 million).

Our **Clean Hydrogen** segment comprises the conversion of energy from climate-friendly energy sources into clean hydrogen and its transportation to consumers. This is done through a number of processing steps: from the conversion of renewable energy by electrolysis to the processing and transportation of the clean hydrogen produced through storage systems, compressor stations, pipelines and gas pressure control and measurement systems. We use our expertise in our Natural Gas segment to handle complex gases at high pressure and in large quantities, and we offer energy infrastructure solutions extending from the construction of individual components through to fully integrated, turnkey solutions. We assume that our Clean Hydrogen segment will play an increasingly important role in the growth of our business, and we are determined to invest considerable resources in the development of this segment. We strive to offer such energy infrastructure solutions for the operations of a number of leading European transmission network operators and certain energy and industrial companies, many of which are long-term customers or consumers of our solutions. In the Clean Hydrogen segment, significant revenue of €2.3 million were already achieved in the 2020 financial year (previous year: €11 thousand). EBIT amounts to €0.3 million (previous year: €1 thousand). The EBIT margin is 13.2%. The order backlog amounts to €21.4 million as at the end of the reporting period (previous year: €6.8 million).

Furthermore, in the **Adjacent Opportunities** segment, we concentrate on related turnkey technologies, such as the treatment and cleaning of biogenic and synthetic gases, heat extraction technologies used in district heating, solutions for the transportation of drinking and waste water and specialty solutions for the chemical and petrochemical industry. Revenue in the Adjacent Opportunities segment grew by 17.6% year-on-year to €37.4 million in the 2020 financial year. EBIT amounts to €4.9 million (previous year: €6.2 million). The EBIT margin is 13.0%. The order backlog amounts to €22.5 million as at the end of the reporting period (previous year: €16.1 million).

Employees

Not including trainees, the employee headcount was 1,304 as at 31 December 2020, and therefore slightly higher than the previous year's level (1,239). The Vorwerk Group also had 85 trainees (previous year: 89) as at the end of the year.

Financial position and financial performance

The Friedrich Vorwerk Group SE and Vorwerk Group enjoyed a very successful and profitable 2020 financial year.

The following section discusses Friedrich Vorwerk Group SE and Vorwerk Group in greater detail.

Notes to the separate financial statements of Friedrich Vorwerk Group SE (HGB)

The annual financial statements of Friedrich Vorwerk Group SE for the 2020 financial year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

In fiscal year 2020, Friedrich Vorwerk Group SE became parent company of Vorwerk Group by contributing a limited partnership interest of Friedrich Vorwerk SE & Co. KG. In previous year the entity was a shelf company without operating activities.

Results of operations

Friedrich Vorwerk Group SE generated income from affiliated companies of € 28,9 million (previous year: € 0). Tax expenses of € 3.8 million (previous year: € 0) incurred in 2020. This results in a net income of € 25.1 million (previous year: € 0).

Net assets and financial position

The increase of subscribed capital by € 3.0 million and capital reserve by € 16.6 million is a result of the contribution of limited partnership's share of Friedrich Vorwerk SE & Co. KG. Moreover the net result for the financial year of € 25.1 million led to an equity as at 31 December 2020 of € 44.9 million.

Total assets increased from € 30 thousand to € 47.3 million. Shares in affiliated companies amount to € 19.7 million (previous year: € 0) and receivables from affiliated companies amount to € 27.6 million on balance sheet date. Total liabilities increased due to the increase of equity and an increase of tax provisions to an amount of € 2.4 million.

Cash and cash equivalents as at 31 December 2020 amounts to € 5 thousand (previous year: € 30 thousand).

Vorwerk Group

Results of operations

The earnings figures include IFRS remeasurement effects, essentially badwill from business combinations and write-downs on hidden reserves identified in conjunction with business combinations. The revenue and expenses of remaining offshore projects of the Bohlen & Doyen Group, which was acquired in the previous year, were also adjusted for. Management therefore runs the Group on the basis of adjusted earnings figures that much more transparently and more sustainably reflect the operating earnings power and development of the Group.

Cumulative order intake amounts to €312.5 million as at the end of the financial year. The order backlog is €306.5 million as at the end of the reporting period. These figures are both records in the history of the company.

The Vorwerk Group generated revenue of €291.2 million in the 2020 financial year (previous year: €179.3 million), corresponding to growth of 62%. Bohlen & Doyen made a key contribution to growth. Bohlen & Doyen has been included in the Vorwerk consolidated financial statements since 1 December 2019 and contributed €85.6 million (previous year: €6.7 million) to consolidated revenue in the reporting year. Furthermore, the other subsidiaries of the Vorwerk Group reported a strong organic performance in the financial year. Vorwerk-EEE GmbH, which was founded in the previous year and specialises in the international distribution of gas technology systems and engineering services performed especially well. In connection with the offshore projects, revenue of €0.5 million was adjusted in the reporting year.

The Vorwerk Group generated other income of €14.1 million (previous year: €5.7 million). This includes income from the measurement of joint ventures at equity of €10.6 million (previous year: €4.2 million). It also contains income from the offsetting of remuneration in kind (€0.6 million), income from the reversal of provisions (€0.3 million), income from insurance compensation (€0.3 million), own work capitalised (€0.2 million) and other income (€2.1 million).

The adjusted cost of materials increased from €82.5 million in the previous year to €128.3 million in the reporting year. This includes costs of purchased services of €103.1 million (previous year: €69.2 million) and costs of raw materials, consumables and supplies of €25.2 million (previous year: €13.3 million). The cost of materials ratio declined slightly year-on-year to 44.0%. The acquisition of Bohlen & Doyen in the previous year meant that more projects were handled using the Group's own resources, thereby reducing the use of subcontractors. In connection with the offshore projects, the cost of materials was adjusted by €0.2 million in the reporting year.

Staff costs rose from €51.6 million in the 2019 financial year to €89.4 million in the year under review. The increase is essentially due to the higher headcount following the acquisition of Bohlen & Doyen in the previous year. The staff cost ratio rose from 28.7% in the previous year to 30.7% in the year under review. This increase also results from the consolidation of Bohlen & Doyen. The Vorwerk Group employed 1,304 people (previous year: 1,239) as at the end of the reporting period.

Adjusted other operating expenses amount to €29.1 million in the 2020 financial year (previous year: €14.9 million). This item essentially includes rental and leasing expenses for short-term leases (€10.0 million), maintenance expenses (€5.9 million), travel expenses and vehicle costs (€3.0 million), disposal costs and fees (€1.5 million), legal and consulting costs (€1.3 million) and insurance premiums (€1.2 million). The year-on-year increase is largely due to the acquisition of Bohlen & Doyen in the previous year and general business growth. In connection with the offshore projects, other operating expenses were adjusted by €0.1 million in the reporting year.

The Vorwerk Group thus generated adjusted EBITDA of €58.6 million in the 2020 financial year (previous year: €36.7 million), a year-on-year increase of 60%. The adjusted EBITDA margin is 20.1% (previous year: 20.4%). EBITDA before adjustments amounts to €58.8 million (previous year: €41.8 million). While income from negative goodwill of €5.1 million was adjusted for in the previous year, the adjustment of €0.3 million relates exclusively to the above Bohlen & Doyen projects.

Adjusted depreciation and amortisation of €11.2 million (previous year: €7.7 million) relates to depreciation on property, plant and equipment and amortisation of intangible assets. The increase as against the previous year is due to the acquisition of Bohlen & Doyen. Depreciation of €4.0 million (previous year: €2.6 million) was incurred in the year under review as a result of the application of IFRS 16. These figures have been adjusted for depreciation and amortisation on assets of €0.2 million (previous year: €0.2 million) capitalised in connection with purchase price allocation.

This results in adjusted EBIT of €47.4 million (previous year: €28.9 million). This corresponds to an adjusted EBIT margin of 16.3% (previous year: 16.1%). EBIT before adjustments amounts to €47.5 million (previous year: €33.8 million).

The financial result is €-4.7 million after €-0.7 million in the previous year. Net interest income and interest expenses amount to €-0.9 million (previous year: €-0.7 million). Furthermore, the financial result changed significantly year-on-year due to the first-time recognition of the non-controlling interests in Friedrich Vorwerk SE & Co. KG in the period under review. Essentially, this refers to the 10% limited partnership interest that Mrs. Irene Vorwerk, as the widow of the founder Friedrich Vorwerk, continues to hold directly in Friedrich Vorwerk SE & Co. KG.

This gave rise to adjusted EBT of €42.7 million (previous year: €28.2 million). EBT before adjustments corresponds in the reporting year to the adjusted EBT and also amounts to €42.7 million (previous year: €33.1 million).

The reported adjusted tax expense totalled €12.1 million in the financial year (previous year: €4.8 million) and essentially related to current and deferred taxes. The higher tax rate than in the previous year is as a result of the reorganisation of the company's structure in the year under review. This item also contains other taxes in the amount of €0.3 million (previous year: €0.2 million). The adjustment in tax expense in the previous year of €0.1 million is consistent with the adjustments described above.

In total, the adjusted consolidated net profit amounts to €30.5 million (previous year: €23.4 million). Consolidated net profit before adjustments amounts to €30.6 million (previous year: €28.4 million).

Net assets

Equity amounts to €63.6 million as at 31 December 2020 (31 December 2019: €37.9 million). The increase was driven exclusively by consolidated net profit. Based on total consolidated assets of €176.9 million, the equity ratio was 36.0% as at the end of the reporting period (previous year: 22.6%). In the opinion of the Management Board, the Group therefore has solid equity resources.

The increase in property, plant and equipment to €59.8 million (31 December 2019: €48.8 million) essentially results from the acquisition of the operating grounds and buildings of our subsidiaries in Geeste and Wiesmoor (€10.7 million). Property, plant and equipment also includes technical equipment and machinery (€22.2 million) and operating and office equipment (€10.8 million).

The change in financial assets of €-1.1 million is as a result of dividend payments received from joint ventures and, offsetting this, the measurement of joint ventures at equity.

Inventories amount to €4.9 million as at the end of the reporting period (31 December 2019: €3.8 million) and essentially include raw materials, commodities and supplies.

The increase in trade receivables, contract assets and other current assets, from €50.1 million as at 31 December 2019 to €54.7 million as at the end of the reporting period, is consistent with the growth in revenue.

The cash funds of €45.3 million as at the end of the reporting period decreased slightly as against the previous year (€52.4 million). This is due in particular to the significant decline in current liabilities.

The Group's liabilities to banks and lease liabilities amount to €17.4 million as at 31 December 2020 (31 December 2019: €20.5 million). The decline in financial liabilities is as a result of the scheduled repayment of financial liabilities and the termination of the lease for the, now owned, Wiesmoor location, which had been included in lease liabilities in the previous year. Accordingly, net cash from the above liabilities and cash items amounts to €27.9 million as at the end of the reporting period (31 December 2019: €31.8 million). Furthermore, as at the end of the reporting period, there are off-balance sheet contingent liabilities of €95.3 million (previous year: €87.1 million), essentially consisting of advance payment, contract performance and performance guarantees.

Profit participation capital amounts to €10.2 million as at the end of the reporting period (31 December 2019: €10.0 million) and was provided by the charitable Irene and Friedrich Vorwerk Foundation of the founders of the group of companies. The profit participation rights grant a guaranteed rate of interest. Furthermore, the bearers of the profit participation certificates participate in the consolidated earnings of the Vorwerk Group in the form of floating-rate interest. The total interest rate was 4.0% in the period under review (previous year: 3.6%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

The increase in non-current liabilities to non-controlling interests is as a result of the first-time recognition of these interests following the reorganisation of the company structure in the year under review.

Deferred tax liabilities rose from €9.1 million in the previous year to €14.0 million. This is due to the reorganisation of the company structure in the year under review, since for the first time, with Friedrich Vorwerk Group SE, the tax debtor of the corporate income tax of Friedrich Vorwerk SE & Co. KG is included in the consolidated financial statements.

Levels of contract liabilities, trade payables and provisions with the nature of a liability were down as against the previous year, in some cases significantly.

Current liabilities to non-controlling interests contain profit shares that can be withdrawn. The decline results from the payment of profit shares in the year under review.

The year-on-year reduction in other liabilities is essentially as a result of lower VAT liabilities. Pension provisions have not changed significantly.

Financial position

The change in cash and cash equivalents amounts to €-7.1 million in the year under review (previous year: €43.5 million) and breaks down as follows:

Net cash from operating activities fell from €59.2 million in the previous year to €33.3 million in the year under review. It essentially comprises the operating business of the subsidiaries and the related cash receipts. It also includes changes in assets and liabilities not attributable to investing or financing activities. The change as against the previous year is mostly due to the working capital effects (€-25.8 million; previous year: €23.6 million).

Net cash used in investing activities amounts to €-20.4 million (previous year: €-4.0 million) and essentially relates to investments in property, plant and equipment. This mainly includes land and buildings, technical equipment and machinery and operating and office equipment. The significant increase is essentially as a result of the acquisition of the operating properties in Wiesmoor and Geeste (€10.7 million). Furthermore, cash flow from investing activities had included a net inflow from the acquisition of Bohlen & Doyen in the previous year.

Net cash from financing activities amounts to €-20.1 million (previous year: €-11.6 million). In particular, this includes profit distributions to shareholders of €12.4 million (previous year: €7.9 million) plus proceeds from and payments for the borrowing and repayment of financial loans and lease liabilities.

Summary assessment

Management rates the development of the Vorwerk Group in the 2020 financial year as very positive. Order intake, order backlog, consolidated revenue, adjusted EBIT and consolidated equity again set new records in 2020. While the previous year's forecast for consolidated revenue (> €280 million) was slightly exceeded, the Group surpassed its earnings forecast (adjusted EBIT margin of between 13% and 15%). The Bohlen & Doyen Group, which was acquired in December 2019, was included in consolidation for a full financial year for the first time in the year under review, which greatly benefited the revenue and earnings performance. The positive market trend indicates ongoing growth in business.

Report on risks and opportunities

In the Vorwerk Group, risk management is one of the key foundations for commercial operations and safeguards the company's competitive capability in the long term. When working on projects in the areas of energy grids and energy transformation, and in turnkey projects, the Vorwerk Group is exposed to a number of risks that relate directly to its business activities. The aim of risk management is to detect risks early on and to minimise them while also maintaining commercial earnings potential. The objective of risk management at the Vorwerk Group is to keep on developing and improving organisational processes and controls with which to detect risks early on and to initiate countermeasures. The following section lists the key risks that could have a lasting impact on the financial position and financial performance of the company.

Market risk

Market risks result from changes in the macroeconomic conditions on key markets. In Energy Grids and Service & Operations, these mainly include our domestic market of Germany and neighbouring European countries. In Energy Transformation, while Germany is still our domestic market, business in this area is much more international. Competition in our business areas could become more intensive moving ahead, which might erode our earnings situation. We counter this risk with the ongoing expansion of our value chain, in particular in the area of specialty technologies such as minimal impact directional boring.

Environmental risk

Environmental risk has various aspects. On the one hand, it refers to the energy sector and the associated greenhouse gas emissions. On the other, it also includes resource and waste management. The Vorwerk Group strives to reduce its energy consumption, which is mainly due to the use of fossil fuels to operate our technical equipment and machinery and to the transportation of this equipment. To achieve this goal, we are stepping up our efforts to implement sustainable and climate-neutral projects, increase the use of renewable energies, modernise our equipment and property portfolio and optimise logistics planning. In the key area of resource management, Vorwerk is seeking to improve its use of materials and resource efficiency – including its Group-wide water consumption.

Project risk

The monitoring of project risk extends across all operating units of the Group and is divided into the sub-areas of costing risk and implementation risk. All projects are analysed for specific technical, commercial and legal risks when preparing a bid through to the completion of the contract. Residual indeterminate risks in individual projects are taken into account by risk premiums when calculating an offer. The costing risks that arise when preparing bids are limited by binding Group-wide costing standards. All major projects undergo continuous variance analysis while being carried out. As soon as a project moves outside the target parameters, corresponding countermeasures are initiated, monitored by the project managers or management and checked for effectiveness.

Material and outsourcing risks

Risks can arise if the necessary materials or services are not available on time or in line with market standards. We can ensure that our interests are treated as a priority thanks to long-term relationships with our suppliers and service providers. Inventories are monitored at all times to ensure that standard materials are available for our projects at short notice. To avoid strong fluctuations in procurement prices, we apply corresponding price escalator clauses when preparing our offers.

Personnel risk

The successful management of personnel risks is a central element of corporate development. Personnel risks arise from staff turnover and the associated loss of expertise and shortages of new personnel. The Vorwerk Group counters this risk of staff turnover with individual, performance-based bonus regulations and a broad range of development options within the Group. This safeguards the long-term loyalty of the company's top performers. In-house training and continuing professional development ensure the next generation of qualified employees and managers. The Vorwerk Group is countering the ever more intensive competition for highly qualified employees and managers with optimised recruitment measures and cooperations with universities.

Financial risks

Financial risks are managed Group-wide by the parent company of the Vorwerk Group. Selected derivative hedging instruments are used in rare cases to minimise these risks as far as possible. Hedging is only used for operational risks and not for speculative purposes. Liquidity risk is the risk that liabilities cannot be settled when due. This risk is managed on the basis on a regularly updated financial plan. Cash funds are managed centrally through a cash pool. The interest rate risk arises from floating-rate financial liabilities. Any hedging transactions that may be required in future will be concluded centrally by the Management Board.

It is standard practice within the industry to issue various guarantees and warranties. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilised, the banks have claims for recourse against the Group. Such guarantees have not given rise to claims against the Group either in the financial year or in the past. The availability and terms of these guarantees are a requirement for further growth. Management oversees the management and use of these guarantees.

The careful analysis of principals and, if necessary, the use of hedging instruments keep risks of default manageable. The payment terms for receivables and liabilities are typically agreed in line with industry standards and are monitored regularly. Furthermore, this risk is positively influenced by the structure of principals, which are mainly renowned energy industry operators. The carrying amount of financial assets is equal to the maximum risk of default. Discernible risks of default on financial assets are taken into account by impairment losses.

Risk due to the COVID-19 pandemic

The rapid outbreak of the COVID-19 pandemic at the start of 2020 has led to a number of measures in Germany and other countries relevant to the Vorwerk Group. These are considered significant, and have resulted in a considerable reduction or shutdown of most commercial activities. This gives rise to general economic risks that could impair economic growth and thus the development of the energy industry. Given the unpredictability of how the COVID-19 pandemic will progress and the currently unforeseeable impact this will have on the economy and trade flows, there could still be supply shortages for subcontractors and supply chains along the value chain. Also, contract award activities could be delayed. Access to some project sites was directly affected by the outbreak of COVID-19 and the associated restrictive government regulations. Work on some projects had to be temporarily halted as a result. However, a quickly agreed action plan allowed operations to gradually be resumed, hence management so far assumes that the COVID-19 pandemic will have a relatively minor impact on the company's results of operations compared to the market as a whole.

Depending on how the COVID-19 situation continues to unfold, there could be negative repercussions for the Group's revenue and profitability in both the medium and the long term, resulting from travel restrictions and delayed contract award processes, for example. However, the quantitative effects cannot be estimated reliably.

Opportunities

The European energy revolution to bring about a CO_2-neutral continent by 2050 will also bring a fundamental reorganisation of the European energy markets that requires enormous investment in existing and new energy infrastructure over the coming decades.

Thanks to its outstanding technological expertise, its excellent reputation and customer relationships and its fully integrated business model, the Vorwerk Group is ideally positioned on its core markets of underground gas, hydrogen and power lines and the associated energy transformation projects (e.g. gas pressure control and measurement systems, compressor stations, cavern storage and transformer stations) to benefit from this in the long term.

Above all, the basis for this is the Vorwerk Group's ability to combine components and solutions developed and produced in-house, and its proprietary technologies, with its strengths as a fully integrated turnkey provider.

To compensate for the decision to phase out nuclear power and fossil fuels in Germany, substantial investment in the natural gas infrastructure is required to guarantee the security of supply for German industry and the people of Germany in the long term, with less centralised structures and flexible gas power stations. Between now and 2030, up to €9.0 billion is to be invested in the gas transmission network in Germany alone.

Another key element of the energy revolution is the large-scale expansion of energy generation capacity in the field of renewable energies (primarily wind and solar energy). The expansion of transmission grids, most of which will be underground, is essential for the distribution of renewable energies, in particular from the windy north of Germany to the customer regions in the south. German transmission network operators are planning to invest up to €15 billion by 2026 just to build the "electricity highways", SüdLink, SüdOstLink and Korridor A Nord. The Vorwerk Group is ideally positioned for these major underground cable projects thanks to the experience of Bohlen & Doyen.

As a molecular energy source, green hydrogen is a key part of a successful energy revolution in Europe. Hydrogen is already essential today for many processes in energy-intensive industry and, moving forward, will play a crucial role in the areas of industry difficult to decarbonise and mobility in particular. In addition to the massive pan-European emergence of electrolysers to produce green hydrogen from renewable energies, this will also require the construction and expansion of hydrogen-ready pipelines and systems. The European Union projects that up to €430 billion will be invested in the European hydrogen industry by as soon as 2030.

In light of this, the Vorwerk Group is confident of substantial growth opportunities on its core markets of hydrogen, natural gas and electricity.

In this context, in addition to continuing its successful M&A strategy, further profitable growth opportunities can also be generated by a geographical expansion into the rest of Europe.

Non-financial declaration

The principle of sustainability is a central component of Vorwerk's strategy and corporate policy.

Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of the Management Board. Vorwerk's philosophy is characterised by a business orientation accompanied by responsibility for the environment, employees and society. In our daily efforts to excel, we seek to combine sustainability targets with economic aspects.

Friedrich Vorwerk Group SE is not required by section 289b HGB and section 315b HGB to publish this non-financial declaration, and does so voluntarily. The reporting period for the non-financial statement is the 2020 financial year. The quantitative information includes all consolidated subsidiaries of the Vorwerk Group.

Business model

Vorwerk is one of the leading providers of turnkey solutions for the transformation and transportation of energy. We plan, build, install and operate critical energy infrastructure along the entire value chain, and ensure that energy sources such as raw natural gas, wind and solar energy can be converted into usable natural gas, electricity and clean hydrogen and then transported to the consumer.

We design and create power highways that connect wind energy sources in the north of Germany with consumers in the south of Germany, and gas lines that will prepare the European energy infrastructure for the future. Thanks to our hydrogen solutions, we are making the transition to clean, molecular energy sources of the future possible. We cover the entire range: from major turnkey projects to bespoke specialty solutions for customers. We are constantly striving for innovative product solutions that enable the transportation of energy with lower CO_2 emissions. Our product portfolio also includes services such as the maintenance and operation of our customers' energy infrastructure. Overall, Vorwerk therefore plays a key role in the energy revolution and in safeguarding the energy supply.

Further information on the business model and the individual segments can be found in the "Segments" section in the Vorwerk Group's combined management report for 2020.

Stakeholders

Owners: The main shareholder of the Vorwerk Group is MBB SE, Berlin. Its focus is on responsible action and sustainable value added.

Customers: Our customers want reliable partners to reliably provide innovative solutions while exercising ecological and social responsibility.

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

Materiality analysis

The materiality analysis, which was performed for the first time in 2020, identified "environmental concerns", "social concerns" and "employee concerns" as the core issues of Vorwerk's sustainability strategy. These aspects are explained in more detail below. The issues of "respecting human rights" and "combating corruption and bribery" are also described. As we consider these topics important but, in our opinion, secondary as regards the Vorwerk Group's sustainability strategy, they will be discussed only briefly. Please see the table at the end of this section for an overview of key non-financial indicators.

Environment

Vorwerk takes a holistic approach in its project business, by working on all phases of the project cycle and by also taking into account long-term use beyond the project's scope. As, by definition, infrastructure projects mean intervening in existing structures, our activities directly influence people and the environment. In order to minimise the resulting impact, we attach particular importance to forward-looking and comprehensive planning. Environmental factors include land usage, excavation, intervention in the water supply, the consumption of energy, water and raw materials in addition to the generation of noise, dust, vibrations, emissions, waste water and solid waste. These factors vary according to the type and extent of a project. For example, as a specialist in directional boring, we are able to lay power lines with minimal landscape impact. Our goal is to protect and conserve the natural environment as far as possible, by integrating the special considerations of each project into individual project management.

The extensive environmental protection activities required in major projects carried out by Vorwerk are typically set out in a legally binding landscape conservation plan. In Germany, this plan maps out the measures planned for a project that entails encroachment on nature and the landscape, in the immediate vicinity of the project or nearby, to compensate for or minimise this encroachment. These measures are a part of the planning documentation necessary for a project's approval, and become legally binding when the zoning plan for the project is adopted. Measures for smaller projects can include tree protection activities, in particular in inner-city areas, which are also coordinated with the offices in charge of green areas.

It is not just about projects that will allow a sustainable energy supply and implementing these projects with minimal impact: a responsible approach to natural resources in general also plays a part. Operational decisions are considered in the context of their ecological repercussions at all levels of the Vorwerk Group. This applies to the use of raw materials in addition to the energy efficiency of the individual subsidiaries. By using natural resources responsibly and ensuring high energy efficiency, the Vorwerk Group makes an important contribution to environmental protection, and thus already have a strong interest in this topic for strategic reasons.

To this end, Vorwerk defines environmental targets each year and analyses their achievement in a year-end management review.

Goal for 2020	Achievement
Increased energy efficiency and reduction of machinery and vehicle emissions by buying new/replacing at least 15 large pieces of equipment with current emissions standards or battery technology	In total, 33 large pieces of equipment, vans, cars and lorries were replaced by targeted reinvestment
Increased energy efficiency and reduction of emissions at the Tostedt and Halle locations by replacing technical equipment	The technical equipment of the Tostedt wash hall, consisting of four hot water high-pressure jets and a heating system, was completely modernised. Moreover, various conventional lamps were replaced with LEDs and equipped with presence detectors.

Furthermore, the Vorwerk Group aims to enhance the economy and efficiency of its vehicle fleet and technical equipment. Fuel consumption and downtimes are therefore analysed constantly and fleet management is adjusted accordingly. For example, old vehicles, machinery and equipment are constantly exchanged for newer, more efficient models with lower pollutant and noise emissions.

Energy efficiency and sustainability are taken into account when sourcing materials, and we expect our suppliers and service providers to fulfil the same environmental standards as us. Environmental certificates and indicators are therefore requested from potential suppliers in the procurement process and assessed alongside quality, delivery time and price.

By providing regular training for employees in all departments, the Vorwerk Group ensures that they have a high environmental impact awareness, adhere to systems for the separation and disposal of waste, are economical with all resources and comply with the applicable work instructions for the handling of hazardous substances and water pollutants.

All operating subsidiaries and locations of the Vorwerk Group are certified according to ISO 14001 and ISO 50001, and therefore satisfy the internationally recognised basic principles of an environmental and energy management system.

Together with our employees at our headquarters in Tostedt, we maintain a 90-hectare forest area owned by the Vorwerk Group, which has been left in its natural state according to the highest ecological standards.

Employees

Protecting and respecting each and every person is a top priority in the Vorwerk Group. It goes without saying that we comply with international human rights and labour standards. We condemn any and all forms of discrimination, including for reasons of ethnic background, religion, political views, gender, physical capacity, appearance, age or sexual orientation.

Our employees are our Group's most important resource. It is therefore a central component of our sustainability strategy to attract new, motivated employees while attaining a high level of satisfaction and motivation with a low turnover within the staff body. We want to be an attractive employer for current and future employees, and so we deliberately position ourselves towards this target group as a sustainably growing company on the front lines of the energy revolution. We have enjoyed steady headcount growth over the past five years thanks to broad development opportunities and our consistent recruitment strategy.

Work safety is always a top priority for Vorwerk. Employees in prefabrication or those who work on projects are subject to an elevated health risk. This is why we apply high standards when it comes to security, particularly with regard to handling hazardous materials and other potential hazards. By regularly providing training and continuing professional development, we foster the knowledge and expertise required by our employees to work safely. The Vorwerk Group is SCCP-certified and therefore satisfies all the statutory requirements for a health and safety management system. Reportable work accidents are recorded and analysed at regular intervals. The number of reportable work accidents was down slightly year-on-year at 40 (44). Work safety incidents are always investigated, often with the contractor, and any anomalies are promptly resolved. Concepts such as the STOP team, which gives every employee the chance to stop unsafe activities at any time, or last minute risk analysis, which promotes a conscious approach to routine work on the part of operational employees, play a central role in our work safety concept. As in the previous year, the number of fatal work accidents was zero. Our aim is to constantly reduce the number of work accidents.

To achieve this goal, the Vorwerk Group changed its health, safety, environment and quality (HSEQ) strategy in 2020.

This firstly includes the bundling of the resources of Bohlen & Doyen with those of the pre-existing Vorwerk Group into a Group-wide HSEQ department. The primary task of this department is to integrate the companies and to fully overhaul and coordinate the joint management system in addition to creating uniform work safety standards and methods. While a significant share of the work was done by external work safety experts in the past due to the Group's nationwide project operations, as far as possible these activities will be performed in-house moving ahead. The ranks of the HSEQ department have been filled with additional work safety specialists for this purpose. Experience shows that in-house staff, unlike third parties, have the chance to build a much closer relationship of trust with industrial employees, which is of utmost importance in the ongoing development of a culture of safety.

While the energy industry has focused on the technical and organisational aspects of occupational health and safety in the past, future work safety success can only be achieved with a pronounced culture of safety. The Safety Culture Ladder (SCL) is an assessment method for measuring safety awareness and conscious safe acting by each individual employee in the company. The higher the safety awareness in an organisation, the higher the assigned ladder step. Bohlen & Doyen is a frontrunner here, and is the first part of the company to successfully complete level 3 SCL certification for the areas energy grids and directional boring technology, also referred to as horizontal directional drilling (HDD). However, the Group will consider rolling this out further based on the expected positive effects of heightening safety, health and environmental protection awareness as judged by the existing indicators.

The Vorwerk Group considers supporting and challenging its employees to be a key factor in its success. Our employees take part in training and continuing professional development in all areas of the Group, with high standards of occupational health and safety and the selective promotion of junior executives. Vorwerk currently has 85 trainees and students on dual study programmes (previous year: 89). Our fundamental aim is to offer permanent employment to all trainees (including those on dual study programmes) who complete their training with us. To continue being an attractive employer, we invest in our employees, either directly by offering continuing professional development or by allowing them to work from home. Rights to intellectual property are respected as a matter of principle.

We are particularly committed to gender equality. Women, men and trans people have the same opportunities at our company. We seek to ensure a balance between the genders at all hierarchical levels. The focus on technical professions that is inherent to our business model means that women are still underrepresented among students and job applicants, with the latter posing a challenge when it comes to filling vacant positions. The Vorwerk Group slightly increased its share of women employees as against the previous year to 12%.

When selecting managers, the Management Board always seeks to ensure diversity and is open to male, female and trans candidates. Ultimately, appointments are always primarily based on the professional and personal qualifications of person in question.

Social

Dealing with our customer and supplier stakeholders respectfully and in a socially responsible manner is one of our guiding principles. We firmly believe that continuous product innovation, acting fairly with respect to suppliers and entering into a constant dialogue with our customers are key elements of our business success. The Vorwerk Group is involved in numerous voluntary social projects at municipal level. In addition to its role as an employer, the Vorwerk Group also supports to increasing the common good of these communities for the long-term, for example through partnerships with schools or sports clubs.

The Irene and Friedrich Vorwerk Foundation, an independent body created by the founders of the Vorwerk Group and still closely associated with Vorwerk today deserves a special mention in this regard. The social engagement of the Irene and Friedrich Vorwerk Foundation extends from the promotion of the next generation of young scientists to support for cultural events and aid for the needy. For example, 28 young students at HafenCity University Hamburg were honoured in the field of urban planning at the 19th subsidy award ceremony in 2020. Research projects to train young academics in safety engineering have also been supported. A number of cultural projects of various sizes, such as local theatre or church parishes, are sponsored. Two annual readings have become a fixed institution over the years and one of the cultural highlights for many guests. Here, too, the members of our society in need are not forgotten. The foundation supports both individuals and institutions locally.

Respecting human rights and combating corruption and bribery

Respecting human rights: The Vorwerk Group has deep roots in Germany and Europe, and respects the human rights of employees, suppliers and business partners in its day-to-day operations. We have not identified any risks of non-standard remuneration, inappropriate working hours, restrictions on the freedom of assembly or equal rights at either ourselves or our suppliers. Disciplinary measures for potential violations have been determined and communicated. Vorwerk is committed to upholding internationally recognised human rights standards and does not tolerate any form of slavery, forced labour, child labour, human trafficking or exploitation in its own business activities or its supply chain.

Combating corruption and bribery: We have always considered compliance with legal provisions and guidelines, in addition to correct conduct in business transactions, to be a core component of sustainable corporate governance. In order to uphold this long-standing principle, we have formulated our basic principles in our corporate policy, which is updated on an ongoing basis and communicated to all employees. The current Code of Conduct and the Group-wide anti-corruption policy serve as a framework for activities both within the company and in respect of third parties. The Code of Conduct is specified and defined in greater detail through guidelines and instructions. Using cyclical reporting structures, the respective management of the various Group companies is required to report regularly to the Management Board of the Vorwerk Group on the effectiveness of the respective internal management system and any incidents occurring.

Data protection: When processing the data of employees, applicants, customers, suppliers and partners, we respect and protect the rights of these persons and safeguard the necessary security of their data. Among other things, we have taken the necessary precautions to comply with the European Union's General Data Protection Regulation (GDPR) that became effective on 25 May 2018 and standardises data protection regulations in EU countries.

Negative consequences and risks in connection with business activities

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

Overview of key non-financial indicators

The key operating indicators for environmental concerns can fluctuate greatly from year to year on account of a divergent order structure.

	2020	2019
Employees		
Share of female employees in relation to total employees	12%	11%
Number of apprentices	82	86
Number of employees in cooperative study programs	3	3
Reportable work accidents	40	44
Fatal work accidents	0	0
Environmental concerns		
Energy intensity in MWh/€m revenue	179	105
Water intensity in m³/€m revenue	24	30
Waste intensity in t/€m revenue	2.9	3.3
Social		
Charitable donations and sponsorship in €k*	45	1

* Without Irene and Friedrich Vorwerk Foundation

Sustainability Accounting Standards Board (SASB) Index

We are publishing the Sustainability Accounting Standards Board (SASB) index in our annual report for the first time in the 2020 reporting year in order to ensure greater transparency in the area of sustainability. SASB aims to enable transparent communication between companies and investors on material information related to ESG data through standardised sustainability accounting. As the standard was only recently introduced in 2020, the Vorwerk Group does not yet have all the data and information required for reporting in full accordance with the "Engineering & Construction Services" standard as defined by the SASB organization. However, we expect to further improve the data base and adhere to the set standards in the future.

	Code	Comment
Environmental Impacts of Project Development		
Number of incidents of non-compliance with environmental permits, standards, and regulations	IF-EN-160a.1.	In 2020, there were no incidents of non-compliance with environmental permits, standards and other regulations.
Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	IF-EN-160a.2.	Vorwerk is monitoring the environmental impacts of each project by employing specific environmental management systems such as ISO 14001 and ISO 50001. Furthermore, the company holds industry specific permits and licenses and is certified as a specialist in accordance with the German water conservation act.
Structural Integrity & Safety		
Amount of defect- and safety-related rework costs	IF-EN-250a.1.	In 2020, warranty re-work costs amounted to approx. €112k (0.04% of revenue).
Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	IF-EN-250a.2.	n/a
Workforce Health & Safety		
(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1.	In 2020, Vorwerk's total recordable incident rate (TRIR)* was 1.8 for direct employees. The fatality rates for direct employees of the group in 2020 was 0. In 2020, we did not collect data for contract employees but aim to do so in the future.
Lifecycle Impacts of Buildings & Infrastructure		
Number of (1) commissioned projects certified to a third-party multiattribute sustainability standard and (2) active projects seeking such certification	IF-EN-410a.1.	In 2020, 12 certified biogas plants were completed. In 2021, 9 further projects of this type are currently under development.
Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2.	Energy and water efficiency considerations are based on customers' specifications and are incorporated into project planning and design. In every project we advise our clients on energy and water optimisation solutions and engage in active innovation to fulfil their requirements.

Climate Impacts of Business Mix		
Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	IF-EN-410b.1.	Vorwerk's backlog in 2020 for (1) hydrocarbon-related projects was €224m and for (2) renewable energy projects was €77m.
Amount of backlog cancellations associated with hydrocarbon-related projects	IF-EN-410b.2.	There have not been any cancellations in 2020.
Amount of backlog for non-energy projects associated with climate change mitigation	IF-EN-410b.3.	The amount of backlog for non-energy projects associated with climate change mitigation was €5m.
Business Ethics		
(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	IF-EN-510a.1.	Currently, there is one project for a German customer that will be installed in Iraq. The remaining backlog of this project is €190k (less than 0.1% of backlog).
Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices	IF-EN-510a.2.	n/a
Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes	IF-EN-510a.3.	In order to prevent bribery, corruption, extortion and embezzlement, and also to uphold a high level of integrity in all business interactions, we have fortified our corporate governance codes.

* only includes incidents recorded on project sites

Disclosures in accordance with section 312(3) AktG

According to the circumstances known to us at the time at which the transactions and measures stated in the dependent company report were executed, implemented or omitted, the company received appropriate consideration for every transaction and was not disadvantaged by the implementation or omission of any measures.

Report on expected developments

In the 2021 financial year and the years that follow, the global economy is expected to recover from the recession caused by COVID-19 in the 2020 financial year. The IMF expects global GDP to increase by 5.5% in the 2021 calendar year. The risks and uncertainty associated with this forecast are unusually high. The further development of the pandemic (waves of new infections, lockdowns and possible mutations), availability and acceptance of vaccinations or tension on the financial market (rising number of insolvencies) are very difficult to predict at the start of the 2021 financial year.

In our forecast, we assume that COVID-19 will not permanently harm the global economy. The foundations for the Group's ongoing growth are formed by the order backlog of €306.5 million as at the end of the reporting period. Building on this and the strong organic growth of recent years, we expect an average growth rate for our revenue of at least a low two-figure percentage in the medium term. In terms of the Group's profitability, we are striving for an adjusted EBIT margin at the current level.

Events after the end of the reporting period

Please refer to the notes to the consolidated financial statements on the events after the end of the reporting period.

Tostedt, 6 February 2021

The Management Board

Torben Kleinfeldt	Tim Hameister
Chief Executive Officer	Chief Financial Officer

IFRS Consolidated Financial Statements for 2020

IFRS consolidated statement of profit or loss	Note	01/01 - 31/12/2020 €k	01/01 - 31/12/2019 €k
Revenue	III.1.	**291,791**	**179,331**
Increase (+), (-) in finished goods and work in progress		8	557
Operating performance		**291,799**	**179,887**
Income from initial consolidation		0	5,143
Income from joint ventures	III.2.	10,551	4,185
Other operating income	III.3.	3,571	1,510
Total performance		**305,921**	**190,725**
Cost of raw materials and supplies		-25,213	-13,320
Cost of purchased services		-103,262	-69,157
Cost of materials	III.4.	**-128,474**	**-82,476**
Wages and salaries		-70,030	-40,531
Social security and pension costs		-19,416	-11,060
Staff costs	III.5.	**-89,446**	**-51,591**
Other operating expenses	III.6.	-29,179	-14,851
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**58,822**	**41,807**
Depreciation and amortisation	II.1.	-11,354	-7,976
Earnings before interest and taxes (EBIT)		**47,468**	**33,831**
Other interest and similar income	III.7.	115	119
Interest and similar expenses	III.8.	-1,005	-853
Earnings attributable to non-controlling interests	III.8.	-3,857	0
Net finance costs		**-4,747**	**-734**
Earnings before taxes (EBT)		**42,721**	**33,097**
Income tax expense	III.9.	-11,872	-4,539
Other taxes	III.9.	-290	-173
Consolidated net profit		**30,559**	**28,385**

IFRS consolidated statement of comprehensive income

IFRS consolidated statement of comprehensive income	Note	01/01 - 31/12/2020 €k	01/01 - 31/12/2019 €k
Consolidated net profit		**30,559**	**28,385**
Items that not may subsequently reclassified to profit and loss			
Pension reserve	II.10.3	-25	-59
thereof deferred taxes		18	8
Other comprehensive income after taxes		**-7**	**-52**
Comprehensive income for the reporting period		**30,552**	**28,333**

IFRS consolidated statement of financial position

Statement of financial position Assets (IFRS)	Note	31/12/2020 audited €k	31/12/2019 audited €k
Non-current assets			
Concessions, industrial property rights and similar rights	II.2.	265	174
Intangible assets		**265**	**174**
Land and buildings including buildings on third-party land	II.3.	17,566	18,237
Technical equipment and machinery	II.3.	22,208	20,483
Other equipment, operating and office equipment	II.3.	10,807	9,957
Advance payments and assets under development	II.3.	9,238	136
Property, plant and equipment		**59,820**	**48,814**
Investments in joint ventures and associates	II.4.	5,403	6,484
Financial assets		**5,403**	**6,485**
Deferred tax assets	II.9.	**6,521**	**5,797**
		72,009	**61,270**
Current assets			
Raw materials and supplies	II.5.	4,374	3,201
Work in progress	II.5.	565	557
Inventories		**4,938**	**3,757**
Trade receivables	II.6.	20,931	24,568
Contract assets	II.7.	27,821	20,272
Other current assets	II.8.	5,959	5,238
Trade receivables and other current assets		**54,711**	**50,078**
Cash in hand	V.	50	52
Bank balances	V.	45,204	52,310
Cash in hand, bank balances		**45,254**	**52,361**
		104,903	**106,197**
Total assets		**176,912**	**167,466**

Statement of financial position Equity and liabilities (IFRS)	Note	31/12/2020 audited €k	31/12/2019 audited €k
Equity			
Issued capital	II.10.1	3,120	2,000
Reserves	II.10.2	6,739	11,556
Retained earnings and other reserves	II.10.3	53,744	24,325
		63,604	**37,880**
Non-current liabilities			
Liabilities to banks	II.12.	6,864	7,354
Liabilities to non-controlling interests	II.12.	7,050	2,812
Liabilities from participation rights	II.12.	10,213	9,963
Lease liabilities	II.15.	4,210	7,620
Pension provisions	II.11.	427	417
Deferred tax liabilities	II.9.	14,029	9,129
		42,793	**37,295**
Current liabilities			
Liabilities to banks	II.12.	1,466	1,320
Contract liabilities	II.12.	17,819	21,510
Trade payables	II.12.	2,019	6,083
Liabilities to non-controlling interests	II.12.	4,924	15,878
Other liabilities	II.13.	7,096	14,773
Lease liabilities	II.15.	4,863	4,239
Provisions with the nature of a liability	II.14.1	15,729	20,454
Tax provisions	II.14.2	8,234	4,071
Other provisions	II.14.1	8,367	3,961
		70,515	**92,291**
Total equity and liabilities		**176,912**	**167,466**

IFRS consolidated statement of cash flows

Consolidated statement of cash flows	01/01 - 31/12/2020 €k	01/01 - 31/12/2019 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**47,468**	**33,831**
Adjustments for non-cash transactions:		
Depreciation and amortisation	11,354	7,976
Increase (+), decrease (-) in provisions	4,391	997
Losses (+), gains (-) from disposal of PPE	58	631
Results from joint ventures	-10,551	-4,185
Other non-cash expenses and income	-25	-5,151
	5,227	**269**
Change in working capital:		
Increase (-), decrease (+) in inventories, trade receivables and other assets	-5,789	5,138
Decrease (-), increase (+) in trade payables and other liabilities	-20,055	18,508
	-25,843	**23,646**
Income taxes paid	-4,664	-1,349
Interest received	115	119
Incoming payments from dividends from joint ventures	11,016	2,638
	6,467	**1,408**
Cash flow from operating activities	**33,319**	**59,153**
2. Cash flow from investing activities		
Investments (-), divestments (+) of intangible assets	-203	-24
Investments (-), divestments (+) in property, plant and equipment	-20,199	-5,408
Business combinations (less cash received)	0	1,414
Cash flow from investing activities	**-20,402**	**-4,018**
3. Cash flow from financing activities		
Profit distribution to shareholders	-12,445	-7,879
Payments to non-controlling interests	-1,626	0
Proceeds from borrowing financial loans	850	21,000
Repayments of financial loans	-1,384	-20,652
Payments on lease liabilities	-4,811	-3,411
Interest payments	-729	-678
Cash flow from financing activities	**-20,144**	**-11,619**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents	-7,228	43,516
Change in cash due to changes in the consolidated group	120	0
Cash and cash equivalents at start of period	52,361	8,845
Cash and cash equivalents at end of period	**45,254**	**52,361**
Composition of cash and cash equivalents		
Cash in hand	50	52
Bank balances	45,204	52,310

IFRS statement of changes in consolidated equity

Statement of changes in consolidated equity					
			Retained earnings		
	Issued capital	Reserves	Pension reserve	Generated consolidated equity	Consolidated equity
	€k	€k	€k	€k	€k
01/01/2019	**2,000**	**11,556**	**-8**	**10,113**	**23,661**
Amounts credited to shareholder accounts	0	0	0	-14,113	-14,113
Subtotal	**2,000**	**11,556**	**-8**	**-4,000**	**9,548**
Amounts recognised in other comprehensive income	0	0	-52	0	-52
Consolidated net profit	0	0	0	28,385	28,385
Total comprehensive income	**0**	**0**	**-52**	**28,385**	**28,333**
31/12/2019	**2,000**	**11,556**	**-59**	**24,384**	**37,880**
Reorganisation of the company structure	1,120	-4,817	0	-1,133	-4,829
Subtotal	**3,120**	**6,739**	**-59**	**23,251**	**33,051**
Amounts recognised in other comprehensive income	0	0	-7	0	-7
Consolidated net profit	0	0	0	30,559	30,559
Total comprehensive income	**0**	**0**	**-7**	**30,559**	**30,552**
31/12/2020	**3,120**	**6,739**	**-66**	**53,810**	**63,604**

Notes to the Consolidated Financial Statements for 2020

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

Friedrich Vorwerk Group SE is headquartered at Niedersachsenstrasse 19-21, 21255 Tostedt, Germany. It is entered in the commercial register of the Tostedt District Court under HRB 208170. It is the parent company of the Vorwerk Group.

The Vorwerk Group is a medium-sized group whose business model essentially comprises designing, creating and operating energy infrastructure.

The consolidated financial statements of Friedrich Vorwerk Group SE for the 2020 financial year will be approved by the Supervisory Board of Friedrich Vorwerk Group SE on 6 February 2021.

The company structure above the level of Friedrich Vorwerk SE & Co. KG (formerly: Friedrich Vorwerk KG (GmbH & Co.)), Tostedt, was changed in the past financial year. In the period under review, the limited partners MBB SE, Berlin, and ALX Beteiligungsgesellschaft mbH, Tostedt, contributed 89.925% in total of the shares in the previous parent company of the Vorwerk Group, Friedrich Vorwerk SE & Co. KG, to Friedrich Vorwerk Group SE, which thereby became the new parent company of the Vorwerk Group. Torben Kleinfeld holds a majority stake in the ALX Beteiligungsgesellschaft mbH. This reorganisation of the company structure is a capital reorganisation that does not fall within the scope of IFRS 3. The assets and liabilities of Friedrich Vorwerk SE & Co. KG are carried at book value. In the comparative period, the carrying amounts of the assets, liabilities and equity of Friedrich Vorwerk SE & Co. KG are shown until the date of the reorganisation. The legal equity of Friedrich Vorwerk Group SE is reported from the date of restructuring onwards. Acquisition accounting differences arising from the reorganisation were offset against reserves. The remaining limited partnership shares (10.075%) in Friedrich Vorwerk SE & Co. KG were not contributed to Friedrich Vorwerk Group SE. The corresponding share of the net assets of Friedrich Vorwerk SE & Co. KG was reclassified to liabilities to non-controlling interests. Of the remaining limited partnership shares, 10% are attributable to Irene Vorwerk, the widow of the founder of the Vorwerk Group, 0.05% to MBB SE, and the final 0.025% are held by the ALX Beteiligungsgesellschaft mbH.

1.2 Accounting policies

The consolidated financial statements of Vorwerk Group for the period ended 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted in the European Union (EU). The term “IFRS” includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRS IC). The consolidated financial statements are supplemented by a combined management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

The following new or amended standards and interpretations were applied for the first time in the 2020 financial year.

Regulation	Title	Effect
IFRS 3	Amendment – Definition of a Business	none
IFRS 9	Amendment – Interest Rate Benchmark Reform	none
IAS 1	Amendment – Definition of Material	none
	Revised IFRS Conceptual Framework	none

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

Regulation	Title	Application	Effect
IFRS 17	Insurance Contracts	01/01/2023	no material effects
IAS 1	Amendment – Classification of Liabilities	01/01/2023	no material effects
IFRS 3	Amendments – References to the Conceptual Framework	01/01/2022	no material effects
	Annual Improvements to IFRSs 2018 – 2020 Cycle	01/01/2022	no material effects
IAS 16	Amendment – Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022	no material effects
IAS 37	Amendment – Onerous Contracts: Cost of Fulfilling a Contract	01/01/2022	no material effects
Various	Amendment – Interest Rate Benchmark Reform	01/01/2021	no material effects
IFRS 4	Amendment – Deferral of IFRS 9	01/01/2021	no material effects
IFRS 16	Amendment – COVID-19-Related Rent Concessions	01.06.2020	no material effects

1.3 Business combinations

There were no business combinations in the 2020 financial year.

All shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, were acquired in the previous year. This business combination resulted in negative goodwill of €5,143 thousand.

1.4 Company law changes and structural changes in 2020

On 21 July 2020, Friedrich Vorwerk Group SE acquired all shares in the shelf company Friedrich Vorwerk Management SE (formerly: Youco D20-H-130 dual Vorrats-SE). As the company did not satisfy the definition of a business in accordance with IFRS 3 as at the acquisition date, no purchase price allocation was performed. The transaction was instead accounted for as an acquisition of assets and liabilities. The company has been the general partner of Friedrich Vorwerk SE & Co. KG since November 2020.

Please refer to 1.1 for further details of company law changes and structural changes.

2. Consolidated group

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

Companies included in the consolidated financial statements Name and registered office of the company	Shareholding in %
Subsidiaries (consolidated)	
Friedrich Vorwerk Management SE, Tostedt, Germany	100.00
Friedrich Vorwerk SE & Co. KG, Tostedt, Deutschland	**89.93**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	89.93
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	89.93
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	89.93
European Pipeline Services GmbH, Tostedt, Germany	89.93
Vorwerk - ASA GmbH, Herne, Germany	89.93
Vorwerk-EEE GmbH, Tostedt, Germany	89.93
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	89.93
Vorwerk Verwaltungs GmbH, Tostedt, Germany	89.93

The following table shows the associates and joint ventures included in the consolidated financial statements. The ownership interests are shown from the sub-group perspective of Friedrich Vorwerk SE & Co. KG.

Name and registered office of the company	Ownership interest in %
Joint ventures (working groups)	
ARGE Austausch von Knotenpunkten	30.00
ARGE Bavaria Loop Nord	33.33
ARGE Bavaria Loop Süd	33.33
ARGE Buhneninstandsetzung Wangerooge 2019	50.00
ARGE CCP II Step 1	50.00
ARGE CCP-Projekt Rühlersmoor	50.00
ARGE DOW Ohrensen K28	50.00
ARGE EGL 442	58.00
ARGE EmCo KÜA	50.00
ARGE ETL 178 Walle - Wolfsburg	50.00
ARGE EUGAL Lots 7+8	37.50
ARGE FWT HafenCity/Peute	50.00
ARGE Kabeltrasse GSH	40.00
ARGE Katharina	50.00
ARGE Loopleitung Epe-Legten	35.00
ARGE LSR Lot 2	50.00
ARGE NEL Niedersachsen	33.33
ARGE NEP Werne RB	33.33
ARGE Neubau B71n Wedringen	50.00
ARGE NWKG K113/K311	50.00
ARGE NWKG K301/K603	50.00
ARGE NWKG K302/K308	50.00
ARGE Reha Südfeld Lot 2 BA 3+4	33.33
ARGE Storag Etzel Reha Südfeld II, 2. BA	50.00
ARGE STORAG ETZEL VT 8/VT 16	50.00
ARGE TG Ochtrup Wester II	50.00
ARGE Umlegungen Gießen	50.00
ARGE Umverlegung A1 Leverkusen	50.00
ARGE Umverlegung Quartier Klosterwall	32.00
ARGE VS Würselen - MCC-I	45.00
ARGE VS Würselen - Vorabmaßnahmen	50.00
ARGE Werne-Schlüchtern	50.00
ARGE Zeelink 3+5	50.00
Dach-ARGE BAB7 Medientunnel - Lot 2	73.00
Dach-ARGE DolWin 6	45.60
Dach-ARGE EUGAL Lots 5+6	53.35
Dach-ARGE Fernwärme Trasse 60	30.00
Dach-ARGE GDRM Anlagen Zeelink	50.00
Dach-ARGE HD-Leitung Iserlohn	52.34
Dach-ARGE Mantelrohrausbau	50.00
Dach-ARGE Neubau B71n Wedringen	50.00
Dach-ARGE Pipelinesanierung Gascade 2019/2020	50.00
Dach-ARGE Rückbau Altleitungen NFL LU 2017/2018	50.00
Dach-ARGE San. FGL 86 JS 2019/2020	51.00
Dach-ARGE Sanierung FGL 301	50.00
Dach-ARGE Sanierung FGL 301, NB West, LU 2018	51.24
Dach ARGE Sanierungsarbeiten Pipelinenetz GASCADE 2017-2018	50.00
Dach-ARGE Spülbohrung Coca-Cola Lot 3	65.00
Dach-ARGE Stadtbeleuchtung	50.00
Dach-ARGE TAV	50.00

Name and registered office of the company	Ownership interest in %
Dach-ARGE Technische Dienstleistung Gasunie Deutschland	33.33
Dach-ARGE Teilneubau FGL 61, NB West Archäologischer Oberbodenabtrag, BA 1-8	66.66
Dach-ARGE Thyssengas STEAG Leitung	63.70
Dach-ARGE Uferrenaturierung Asseler Sand	37.79
Dach-ARGE Umlegung Leitung No. 6	50.00
Dach-ARGE ZEELINK Lots 3 - 5	25.00
Associates	
SKS Straßenbau GmbH, Tostedt, Deutschland	50.00

3. Principles of consolidation

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

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

3.1 Subsidiaries

Subsidiaries are the companies controlled by Friedrich Vorwerk Group SE. A company controls another when there are rights embodying a present ability to control the significant activities of the other entity. Significant activities are those activities affecting the return generated by an entity. Subsidiaries are consolidated from the date on which the parent can control the subsidiary and cease to be consolidated from the date that control ceases.

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

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in profit or loss immediately. If not all the shares in a subsidiary were acquired, non-controlling interests are initially measured at the proportionate share of the acquiree's identifiable net assets as at the acquisition date. Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenue, income and expenses. Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

3.2 Associates

Companies in which the Vorwerk Group holds an interest in the share capital of between 20.0% and 50.0% are usually classified as an associate if the Vorwerk Group has significant influence but does not control them. Companies in which the Vorwerk Group holds an interest in the share capital of between 20.0% and 50.0% are consolidated if the Vorwerk Group exercises a controlling influence.

Associated companies are included in the consolidated financial statements using the equity method. Under this method, pro rata profits and losses of the associated company are added to or deducted from the reported carrying amount of the equity investment. The amount of the loss allocation is generally limited to the amount of the acquisition cost of the associated company. If the equity investment reports a loss after its carrying amount has been reduced to a memo value of €1.00, these losses are recognised in an auxiliary account. For acquisitions of associated companies, the purchase method is applied in the same way. Associated companies that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively. Associated companies not accounted for using the equity method due to immateriality are measured at amortised cost.

3.3 Joint arrangements

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

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

4. Presentation of accounting policies

4.1 General information

The consolidated financial statements were prepared using the historical cost method. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

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

4.2 Reporting currency

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

4.3 Currency translation

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

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

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

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

4.4 Intangible assets

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

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

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

The Group does not have any intangible assets with indefinite useful lives.

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

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

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

4.5 Goodwill

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

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

4.6 Property, plant and equipment

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

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

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

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

Land is not depreciated.

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

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

4.7 Leases

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

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

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

Variable lease payments are not included in the measurement of the lease liability. Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise they are discounted using the incremental borrowing rate. The Vorwerk Group uses the incremental borrowing rate. This incremental borrowing rate is a risk-adjusted interest rate derived for the specific term and currency, also taking into account the credit rating of the individual Group companies.

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

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

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

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

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

The Vorwerk Group has no investment property.

4.8 Borrowing costs

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

4.9 Impairment of non-financial assets

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

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

4.10 Financial instruments – Initial recognition and subsequent measurement

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

I) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

Financial assets recognised in the consolidated financial statements of the Vorwerk Group are exclusively classified as financial assets measured at amortised cost. The Group measures financial assets at amortised cost when both the following conditions are met:

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

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

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

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

II) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The measurement of financial liabilities is dependent on their classification:

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities designated on initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and liabilities

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the effective interest rate (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortisation is shown in the statement of profit and loss as under finance costs.

Derecognition

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

III) Offsetting of financial instruments

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

4.11 Derivative financial instruments

The Group uses derivative financial instruments to a limited extent, such as commodity swaps, to hedge commodity price risks from current and future transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments with a positive fair value are recognised as financial assets, while derivative financial instruments with a negative fair value are recognised as financial liabilities. These derivative financial instruments are not designated as hedges, but instead are classified as held for trading.

4.12 Inventories

Inventories are reported at the lower of cost or net realisable value (less costs necessary to make the sale) taking planned consumption into account. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. The cost of finished goods and work in progress, in addition to the cost of materials used in construction, labour and pro rata material and production overheads, is taken into account assuming normal capacity utilisation. Appropriate write-downs were recognised for inventory risks from storage periods and reduced usability.

4.13 Contract assets and contract liabilities

Revenue in the Energy Grids unit

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

Revenue from these projects is recognised over time using the output method on the basis of work performed to date. The work performed and the corresponding revenue to be recognized is measured at individual line item level and according to the cost estimate detailed in the work plan. The direct derivation of progress from work performed to date is the best indicator due to unforeseen deviations in budget costs. Work performed must be ascertained directly by the project team each month.

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

Payments for energy grid projects are typically made in line with performance on the basis of regular invoices. Advance payments before commencement of work are common in some areas of the Energy Transformation unit.

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

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

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

Revenue in the Energy Transformation unit

The consideration for revenue in the Energy Transformation unit, which is recognised over time on the basis of work already performed as at the end of the reporting period, is recognised under “Contract assets”. The contract asset represent the Group’s claim.

Revenue is recognised over time when a contractual arrangement precludes any alternative use and there is a claim to payment including a profit margin on work already performed. The comments on revenue from the Energy Grids unit apply to the Energy Transformation unit as well.

Advance payments are deducted from the contract asset. If the advances received exceed the contract asset, they are reported under “Contract liabilities”.

4.14 Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months. Cash and cash equivalents are measured at cost.

Cash and cash equivalents in the consolidated statement of cash flows are defined in line with the above.

4.15 Provisions

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

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

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

4.16 Pensions and other post-employment benefits

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

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

4.17 Revenue recognition

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

Sale of goods and products, performance of services

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

Revenue from contracts with customers (Energy Grids)

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

Please see the information on contract assets for further details.

Revenue from contracts performed in working groups is recognised over a period of time based on the work actually performed as at the end of the reporting period. Anticipated losses from the further course of the project are taken into account by means of appropriate write-downs.

Revenue from projects in the Energy Transformation unit

Revenue in the Energy Transformation unit is recognised over time on the basis of the work performed by the end of the reporting period, if a contractual arrangement precludes the Vorwerk Group from having an alternative use and the contractual arrangement establishes a claim to payment including a profit margin on work already performed.

Interest revenue

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

Dividends

Revenue is recognised when the legal right to payment arises.

4.18 Taxes

a) Current income taxes

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

b) Deferred taxes

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

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

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

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

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

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

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

4.19 Contingent liabilities and contingent assets

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

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

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

5. Material judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period resulting in a considerable risk that a major adjustment to the carrying amounts of assets and liabilities will be required within the next financial year are explained below.

a) Impairment of non-financial assets

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

b) Pensions and other post-employment benefits

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

c) Provisions

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

d) Deferred tax assets

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

e) Revenue from contracts with customers

The majority of the transactions conducted by the companies of the Vorwerk Group are construction contracts over time, for which revenue is recognised by reference to the percentage of completion. This method requires an estimate of the percentage of completion. Depending on the method applied in determining the percentage of completion, the material estimates comprise work already performed, total contract costs, costs to be incurred until completion, total contract revenue, contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary.

II. Notes to the consolidated statement of financial position

1. Non-current assets

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

1.1 Statement of changes in non-current assets of the Vorwerk Group as at 31 December 2020

	31/12/2020	Total cost €k	Additions in the financial year €k	Reclassification €k	Disposals in the financial year €k	Write-downs in the financial year €k	Carrying amount at the end of financial year €k	Carrying amount at the end of previous year €k	Depreciation and amortisation in the financial year €k	Disposals of write-downs €k
I.	**Intangible assets**									
1.	Concessions, industrial property rights and similar rights	243	203	0	0	190	256	129	76	0
2.	Order backlog	828	0	0	0	819	9	45	36	0
		1,071	**203**	**0**	**0**	**1,009**	**265**	**174**	**112**	**0**
II.	**Property, plant and equipment**									
1.	Land and buildings including buildings on third-party land	19,866	2,693	567	3,295	2,265	17,566	18,237	969	-333
2.	Technical equipment and machinery	28,510	8,349	49	2,701	11,998	22,208	20,483	6,334	-2,362
3.	Other equipment, operating and office equipment	14,794	4,959	72	2,254	6,763	10,807	9,957	3,876	-1,949
4.	Advance payments and assets under development	136	9,789	-688	0	0	9,238	136	0	0
		63,306	**25,790**	**0**	**8,250**	**21,026**	**59,820**	**48,814**	**11,179**	**-4,644**
	Total	**64,377**	**25,993**	**0**	**8,250**	**22,035**	**60,085**	**48,988**	**11,291**	**-4,644**

1.2 Statement of changes in non-current assets of the Vorwerk Group as at 31 December 2019

31/12/2019	Total cost €k	Additions in the financial year €k	Business acquisition €k	Reclassification €k	Disposals in the financial year €k	Write-downs in the financial year €k	Carrying amount at the end of financial year €k	Carrying amount at the end of previous year €k	Depreciation and amortisation in the financial year €k	Disposals of write-downs €k
I. Intangible assets										
1. Concessions, industrial property rights and similar rights	200	24	18	0	0	114	129	141	54	0
2. Order backlog	780	0	48	0	0	784	45	151	154	0
	980	**24**	**66**	**0**	**0**	**897**	**174**	**292**	**209**	**0**
II. Property, plant and equipment										
1. Land and buildings including buildings on third-party land	16,013	1,306	3,223	59	735	1,629	18,237	15,149	765	0
2. Technical equipment and machinery	16,266	5,004	7,417	-57	120	8,026	20,483	12,550	4,310	0
3. Other equipment, operating and office equipment	9,987	2,851	2,010	-2	52	4,837	9,957	7,828	2,680	-3
4. Advance payments and assets under development	76	38	22	0	0	0	136	76	0	0
	42,343	**9,199**	**12,671**	**0**	**907**	**14,492**	**48,814**	**35,603**	**7,755**	**-3**
Total	**43,323**	**9,223**	**12,738**	**0**	**907**	**15,389**	**48,988**	**35,895**	**7,964**	**-3**

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, depreciation and amortisation would have amounted to €10,829 thousand in the 2019 financial year.

2. Intangible assets

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

3. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. Borrowing costs for qualifying assets were not recognised in either the year under review or the previous year.

The following table provides an overview of the capitalised right-of-use assets in each asset class as at 31 December 2020:

Right-of-use assets	31/12/2020 €k	31/12/2019 €k
Land and buildings	235	3,440
Technical equipment and machinery	5,788	3,950
Other equipment, operating and office equipment	1,187	1,796
Total	**7,209**	**9,186**

The rights-of-use assets shown separately here are also included in the statement of changes in non-current assets in note II.1. Additions to right-of-use assets amounted to €5,173 thousand in the 2020 financial year (previous year: €6,172 thousand), €0 thousand (previous year: €5,354 thousand) of which relates to business combinations.

4. Financial assets

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

At-equity financial assets	31/12/2020 €k	31/12/2019 €k
Carrying amount as at 1 Jan.	**6,484**	**1,621**
Additions to consolidated group	0	2,504
Additions and disposals during the period	-75	75
Proportionate annual results	10,072	4,935
Reversal of hidden reserves	-62	-12
Distributions	-11,016	-2,638
Carrying amount as at 31 Dec.	**5,403**	**6,484**

The financial assets exclusively comprise investments in working groups.

Working group disclosures

In the Group, working groups are classified as joint ventures and their results are reported in the result from equity investments. The table below shows the ten biggest working groups in terms of performance for the 2020 financial year.

Working groups	Ownership interest in %
(DZ3) Dach-ARGE ZEELINK Lots 3 - 5	25.00
(AZ3) ARGE Zeelink 3+5	50.00
(TSL) Dach-ARGE Thyssengas STEAG Leitung	63.70
(E78) ARGE EUGAL Lots 7+8	37.50
(442) ARGE EGL 442	58.00
(E56) Dach-ARGE EUGAL Lots 5+6	53.35
(VWV) ARGE VS Würselen - MCC-I	45.00
(RH2) ARGE Reha Südfeld Lot 2 BA 3+4	33.33
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00
(KÜA) ARGE EmCo KÜA	50.00

The financial information for these working groups for the 2020 financial year is presented at 100%.

Working group	Revenue €k	Non-current assets €k	Current assets €k	thereof cash funds €k	Non-current liabilities €k	Current liabilities €k
(DZ3)	89,474	0	139,737	155	0	139,736
(AZ3)	50,747	38	102,503	518	0	102,582
(TSL)	35,040	0	50,203	1,342	0	50,396
(E78)	34,221	0	219,912	12,706	0	209,630
(442)	29,206	55	56,480	1,636	0	50,741
(E56)	27,639	18	240,204	1,038	0	239,572
(VWV)	20,837	12	63,707	800	0	59,379
(RH2)	11,355	0	15,689	2,572	0	13,933
(GAZ)	8,087	0	20,558	1,071	0	20,560
(KÜA)	4,719	0	8,610	647	0	8,280

5. Inventories

Inventories	31/12/2020 €k	31/12/2019 €k
Raw materials and supplies	4,374	3,201
Work in progress	565	557
Carrying amount as at 31 Dec.	**4,938**	**3,757**

Impairment losses of €176 thousand were recognised on inventories in the period under review (previous year: €53 thousand). Impairment losses on inventories were reversed in the amount of €27 thousand (previous year: €6 thousand).

6. Trade receivables

	31/12/2020 €k	31/12/2019 €k
Trade receivables	16,957	18,822
Receivables from working groups	4,241	6,118
Less specific valuation allowances	-255	-359
Less expected credit loss	-13	-12
Carrying amount as at 31 Dec.	**20,931**	**24,568**

The trade receivables are all due within one year. The trade receivables are written down for impairment as necessary. Indications of impairment include unpaid cash receipts and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk.

7. Contract assets and contract liabilities

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

	31/12/2020 €k	31/12/2019 €k
Gross contract assets	251,828	187,116
thereon advance payments	-224,007	-166,844
Contract assets	**27,821**	**20,272**
Contract liabilities (incl. advance payments)	17,819	21,510

No costs of contract initiation or contract fulfilment were capitalised as separate assets in the financial year (previous year: none).

8. Other current assets

Other assets maturing within one year break down as follows:

	31/12/2020 €k	31/12/2019 €k
Tax receivables	457	520
Receivables from related companies	1,533	2,679
Prepaid expenses	210	163
Receivables from personnel	2,349	1,101
Other current assets	1,409	776
Carrying amount as at 31 Dec.	**5,959**	**5,238**

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €244 thousand (31 December 2019: €516 thousand) and input tax refunds of €214 thousand (31 December 2019: €4 thousand). The receivables from related companies are for receivables from SKS Straßenbau GmbH, Tostedt. Receivables from personnel are essentially for employee loans.

9. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2020 and 31 December 2019.

	31/12/2020 €k	31/12/2019 €k
Deferred tax assets	6,521	5,797
Deferred tax liabilities	14,029	9,129
Total	**-7,508**	**-3,332**

	31/12/2020 €k	31/12/2019 €k
Temporary differences from:		
Provisions for pensions	59	25
Intangible assets	3,284	3,569
Financial assets	119	41
Liabilities	3,301	2,428
Property, plant and equipment	1,063	0
Provisions	0	154
Receivables	476	42
Others	2	318
Netting	-1,782	-781
Deferred tax assets	**6,521**	**5,797**

	31/12/2020 €k	31/12/2019 €k
Temporary differences from:		
Receivables	10,239	5,004
Property, plant and equipment	3,986	3,459
Financial assets	1,551	1,351
Provisions	0	0
Inventories	0	33
Others	34	63
Netting	-1,782	-781
Deferred tax liabilities	**14,029**	**9,129**

10. Equity

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

10.1 Issued capital

The issued capital of the Vorwerk Group amounts to €3,120 thousand as at the end of the reporting period (previous year: €2,000 thousand). As at 31 December 2019, the issued capital of the Group of €2,000 thousand consisted of the limited liability capital of Friedrich Vorwerk SE & Co. KG.

Friedrich Vorwerk Group SE was acquired by MBB SE, Berlin, and ALX Beteiligungsgesellschaft mbH, Tostedt, as a shelf company on 7 July 2020. By way of resolution of the Annual General Meeting on 25 September 2020, the share capital was increased from €120,000 to €3,120,000 by issuing 3,000,000 new no-par-value shares with a notional interest in the share capital of €1.00 in return for non-cash contributions by MBB SE and ALX Beteiligungsgesellschaft mbH. This was not a business combination as referred to by IFRS 3 as it was a merger under joint control.

10.2 Reserves

Reserves amount to €6,739 thousand as at the end of the reporting period (31 December 2019: €11,556 thousand). The reserves were reduced in conjunction with the reorganisation under company law. This essentially relates to the first-time qualification of non-controlling interests at the level of Friedrich Vorwerk SE & Co. KG. Differences arising from the adjusted representation of the subscribed capital of the Friedrich Vorwerk Group SE were offset against reserves.

10.3 Retained earnings and other reserves

Reserve for pensions

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

Revenue reserves

This item comprises the gains generated by the Group less distributed profits.

11. Provisions for pensions and similar obligations

The pension obligation in conjunction with defined benefit pension plan relates to Friedrich Vorwerk SE & Co. KG. It comprises claims to a lifetime old-age pension together with survivors' benefits equal to the amount of the provision in the financial accounts as at the end of the month of death. There is one person drawing a pension under the plan as at 31 December 2020 (31 December 2019: one). The pension agreement is closed, meaning that no further occupational pension agreements are entered into for new appointments.

	31/12/2020 €k	31/12/2019 €k
Pension provisions at beginning of the financial year	**417**	**368**
Utilisation	-17	-16
Addition to provisions (interest cost)	2	6
Actuarial gains (-)/losses (+)	25	59
Pension provisions at end of the financial year	**427**	**417**
- Plan assets	0	0
Pension provision recognised in the statement of financial position	**427**	**417**

The following actuarial assumptions were applied:

	2020	2019
Actuarial interest rate	0.20%	0.55%
Salary trend	0.00%	0.00%
Pension trend	2.00%	2.00%

The post-employment benefit plan is unfunded. The liability is equal to the obligation (DBO).

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

	31/12/2020 €k	31/12/2019 €k
Addition to provisions (service cost)	0	0
Addition to provisions (interest cost)	-2	-6
Total	**-2**	**-6**

The expected pension payments from the pension plans for 2021 amount to €17 thousand.

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	0.25%	-3.3%	+3.4%
Pension growth rate	0.25%	+3.3%	-3.1%
Life expectancy	+ 1 year	+5.3%	-

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

12. Liabilities

The liabilities mature as follows:

31/12/2020	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	1,466	6,488	376	8,330
Trade payables	2,019	0	0	2,019
Provisions with the nature of a liability	15,729	0	0	15,729
Other liabilities	7,096	0	0	7,096
Contract liabilities	17,819	0	0	17,819
Lease liabilities	4,863	4,210	0	9,073
Liabilities to non-controlling interests	4,924	2,812	4,238	11,973
Liabilities from participation rights	0	0	10,213	10,213
As at 31/12/2020	**53,916**	**13,510**	**14,827**	**82,251**

31/12/2019	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	1,320	4,492	2,863	8,674
Trade payables	6,083	0	0	6,083
Provisions with the nature of a liability	20,454	0	0	20,454
Other liabilities	14,773	0	0	14,773
Contract liabilities	21,510	0	0	21,510
Lease liabilities	4,239	5,926	1,694	11,859
Liabilities to non-controlling interests	15,878	0	2,812	18,690
Liabilities from participation rights	0	0	9,963	9,963
As at 31 Dec 2019	**84,257**	**10,418**	**17,332**	**112,008**

Liabilities to banks have both fixed and floating interest rates of between 0.55% and 2.65% (previous year: 0.55% and 3.47%). The weighted average interest rate for 2020 is 1.24% (previous year: 1.28%).

Land and buildings were pledged as collateral. The carrying amount of the pledged assets was €4,566 thousand (31 December 2019: €3,666 thousand) as at the end of the reporting period, €4,566 thousand of which relates to property, plant and equipment (31 December 2019: €3,666 thousand).

As at the end of the reporting period, there is profit participation capital of €10,213 thousand in total (31 December 2019: €9,963 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the profitability of the Vorwerk Group in the form of floating-rate interest. The total interest rate on profit participation rights was 4.0% in the period under review (previous year: 3.6%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

Liabilities to non-controlling interests comprise profit shares and a long-term shareholder loan. The claims to profit shares that can be withdrawn are reported as current.

13. Other liabilities

Other liabilities break down as follows:

	31/12/2020 €k	31/12/2019 €k
Short term		
Value added tax	3,129	6,908
Wages and salaries	542	2,254
Working groups	2,374	4,304
Wage tax	191	153
Prepaid expenses	1	0
Social security benefits	423	587
Debtors with credit balances	134	70
Miscellaneous	301	496
Total	**7,096**	**14,773**

14. Provisions

14.1 Other provisions

Current provisions and provisions with the nature of a liability are composed as follows:

	31/12 2019 €k	Reclassification €k	Utilisation €k	Reversal €k	Addition €k	31/12 2020 €k
Accruals and short term						
Outstanding invoices	17,967	-2,062	-15,882	0	11,050	11,073
Provisions for subsequent costs	0	0	0	0	3,879	3,879
Holiday	2,808	0	-2,747	-37	3,294	3,319
Personnel cost	753	0	-478	-88	196	383
Warranty costs	1,061	0	-54	-17	923	1,914
Variable salary and commission	248	0	-169	-49	829	859
Accounting and audit costs	360	0	-225	-7	352	480
Provision for onerous contracts	0	0	0	0	58	58
Legal disputes and damage repair	0	2,062	-1,150	-52	166	1,026
Employers' liability insurance association	716	0	-442	-74	311	511
Flexitime	344	0	-135	0	227	435
Miscellaneous	159	0	-6	0	5	158
	24,416	**0**	**-21,287**	**-323**	**21,290**	**24,096**

	31/12 2018 €k	First-time consolidation €k	Utilisation €k	Reversal €k	Addition €k	31/12 2019 €k
Accruals and short term						
Outstanding invoices	1,417	8,061	-870	-50	9,409	17,967
Provisions for subsequent costs	0	1,687	-1,602	-85	0	0
Holiday	1,909	1,001	-2,083	-37	2,017	2,808
Personnel cost	0	491	-12	-39	312	753
Warranty costs	533	274	-3	-6	264	1,061
Variable salary and commission	0	221	0	-27	54	248
Accounting and audit costs	123	95	-113	-1	256	360
Provision for onerous contracts	0	3	-3	0	0	0
Legal disputes and damage repair	0	0	0	0	0	0
Employers' liability insurance association	143	20	-129	-14	696	716
Flexitime	0	356	-13	0	0	344
Miscellaneous	232	82	0	-217	62	159
	4,357	**12,291**	**-4,826**	**-475**	**13,069**	**24,416**

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

14.2 Tax provisions

Tax provisions break down as follows:

	31/12/2020 €k	31/12/2019 €k
Corporate income tax	3,247	388
Trade income tax	4,986	3,683
Carrying amount as at 31 Dec.	**8,234**	**4,071**

15. Leases

Right-of-use-assets	31/12/2020 €k	31/12/2019 €k
Land and buildings	236	3,442
Technical equipment and machinery	5,810	3,968
Other equipment, operating and office equipment	1,193	1,803
Total	**7,239**	**9,213**

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

Lease liabilities	31/12/2020 €k	31/12/2019 €k
Long term	4,210	7,620
Short term	4,863	4,239
Total	**9,073**	**11,859**

The following amounts were recognised in the consolidated statement of profit and loss in connection with leases in the 2020 and 2019 financial years:

Amounts recognised in the consolidated statement of profit and loss	2020 €k	2019 €k
Depreciation and amortisation	4,664	3,084
thereof land and buildings	415	66
thereof technical equipment and machinery	3,305	2,447
thereof other equipment, operating and office equipment	944	571
Interest expense	121	72
Expenses for short-term leases	9,982	2,494
Total	**14,767**	**5,650**

The cash outflows for leases (including payments for short-term and low-value leases) amount to €14,914 thousand in total in the 2020 financial year (previous year: €5,977 thousand).

III. Notes to the statement of profit and loss

1. Revenue

Revenue amounts to €291,791 thousand in the 2020 financial year (previous year: €179,331 thousand).

The following table shows revenue broken down by region:

Region	2020 €k	2019 €k
Germany	278,261	176,021
Europe ex Germany	4,960	2,897
Miscellaneous	8,570	413
Total	**291,791**	**179,331**

16.9% of revenue (previous year: 13.3%) relates to Service & Operations.

The development in revenue has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their revenue was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, consolidated revenue would have amounted to €277,013 thousand in the 2019 financial year.

The Group has an order backlog of €306.5 million as at 31 December 2020, which is divided among the segments as follows:

Segment	31/12/2020 €k	31/12/2019 €k
Natural Gas	224,324	228,555
Electricity	38,344	34,340
Clean Hydrogen	21,362	6,763
Adjacent Opportunities	22,478	16,117
Total	**306,508**	**285,775**

2. Income from joint ventures

	2020 €k	2019 €k
Results from joint ventures recognised in financial assets	10,072	4,935
Results from joint ventures recognised in receivables and liabilities	479	-750
Total	**10,551**	**4,185**

Shares of the Vorwerk Group in cumulative profits from working groups classified as joint ventures are reported in financial assets under equity investments. The Vorwerk Group's proceeds from trade receivables from/work done for working groups are recognised under revenue. The capital paid in to a working group is reported together with any trade receivables from the working groups after deduction of capital withdrawals and cumulative losses under trade receivables or, if the net amount is negative, under other liabilities.

The development in income from equity investments has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their income was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, income from equity investments would have amounted to €5,678 thousand in the 2019 financial year.

3. Other operating income

	2020 €k	2019 €k
Income from own work capitalised	176	54
Income from the reversal of provisions	323	475
Income from offsetting remuneration in kind	559	520
Income from insurance compensation	316	43
Prior-period income	4	0
Income from exchange rate gains	42	61
Income from other items	2,150	357
Total	**3,571**	**1,510**

The development in other operating income has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their income was fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, other operating income would have amounted to €2,098 thousand in the 2019 financial year.

4. Cost of materials

	2020 €k	2019 €k
Cost of raw materials and supplies	-25,213	-13,320
Cost of purchased services	-103,262	-69,157
Total	**-128,474**	**-82,476**

The development in the cost of materials has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, the cost of raw materials, consumables and supplies would have amounted to €24,535 thousand and costs of purchased services to €97,347 thousand in the 2019 financial year.

5. Staff costs

	2020 €k	2019 €k
Wages and salaries	-70,030	-40,531
Social security contributions	-19,017	-10,825
Other staff costs	-399	-235
Total	**-89,446**	**-51,591**

The development in staff costs has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, wages and salaries would have amounted to €63,068 thousand and social security and other staff costs to €17,788 thousand in the 2019 financial year.

6. Other operating expenses

	2020 €k	2019 €k
Maintenance expenses	-5,865	-3,507
Travel costs/vehicle costs	-3,044	-1,254
Legal and consulting	-677	-1,711
Other services	-2	-106
Rental agreements and leasing	-9,982	-2,494
Insurance	-1,207	-785
Advertising costs	-244	-107
Costs for telephone, post and data communication	-479	-254
Contributions and fees	-721	-319
Training	-515	-420
Office supplies	-636	-264
Other personnel-related expenses	-710	-684
Incidental costs for monetary transactions	-32	-27
Loss of receivables and bad debt allowances	-66	-147
Foreign currency losses	-52	-23
Warranty expenses	-112	0
Miscellaneous other operating expenses	-4,834	-2,748
Total	**-29,179**	**-14,851**

The development in other operating expenses has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, other operating expenses would have amounted to €31,560 thousand in the 2019 financial year.

7. Other interest and similar income

	2020 €k	2019 €k
Other interest and similar income	115	119
Total	**115**	**119**

8. Interest and similar expenses

	2020 €k	2019 €k
Bank interest	-224	-153
Interest expense from pension	-2	-6
Interest expense from leases	-121	-72
Other interest and similar expenses	-658	-622
Total	**-1,005**	**-853**

The development in many components of total comprehensive income has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their results were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, finance expenses would have amounted to €932 thousand in the 2019 financial year.

There are non-controlling interests of 10.1% at the level of Friedrich Vorwerk SE & Co. KG that arose in conjunction with the reorganisation of the company’s structure in the year under review. These interests accounted for a result of €3.9 million in the year under review (previous year: €0.0 million).

9. Taxes

Details on deferred tax assets and liabilities can be found under I.4.18 b) “Deferred taxes”. The income tax rate of the parent company is 29.1% (previous year: 12.9%) and slightly less than the weighted average tax rate of the Vorwerk Group of 29.3% (previous year: 15.7%). The future local tax rate is applied when recognising deferred taxes.

No deferred tax assets were recognized for trade tax and corporate income tax loss carryforwards for the financial years 2020 and 2019 respectively.

The remeasurement of deferred tax assets resulting from the reorganization of the corporate structure was recognized directly in equity in the amount of €-1,133 thousand in accordance with SIC-25.

The reconciliation of income tax expense and the accounting net profit multiplied by the Group’s applicable tax rate for the 2020 and 2019 financial years is as follows:

	2020 €k	2019 €k
Corporate income tax	-4,513	-557
Trade income tax	-4,296	-2,188
Deferred taxes	-3,062	-1,794
Total	**-11,872**	**-4,539**

	2020 €k	2019 €k
Consolidated net profit before income taxes	42,431	32,923
Income tax expense	-11,872	-4,539
Current tax rate	**28.0%**	**13.8%**

	2020 €k	2019 €k
Earnings before taxes (EBT)	42,721	33,097
Other taxes	-290	-173
Applicable (statutory) tax rate	29.1%	12.9%
Expected tax expense	**12,360**	**4,235**
Effects of non-deductible expenses and tax-free income	137	-128
Prior-period taxes	-7	-146
Effects due to the use or addition to loss carryforwards	-209	-145
Other tax effects	-408	722
Current tax expense	**11,872**	**4,539**

The development in taxes has also been affected by the acquisition of all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, on 10 December 2019. Their expenses were fully included in the 2020 consolidated statement of profit and loss for the first time as a result of their inclusion in consolidation.

If the Bohlen & Doyen Group had already been included in the consolidated financial statements as at 1 January 2019, income tax expenses would have amounted to €7,717 thousand and other taxes to €280 thousand in the 2019 financial year.

10. Earnings per share

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

The following table shows the amounts used to calculate basic earnings per share:

	2020
Result attributable to the holders of ordinary shares (in €)	30,559,171
Shares outstanding after the reorganisation of the reorganisation of the company structure (basic)	3,120,000
Earnings per share (in €)	**9.79**

Given the reorganisation of the company structure in the 2020 financial year, no comparative prior-year information has been provided and earnings per share were calculated as if the reorganisation of the company structure had occurred at the start of the financial year.

IV. Segment reporting

1. Information by segment

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

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

Natural Gas

The Natural Gas segment comprises infrastructure services and product solutions for the transport and conversion of raw natural gas into treated natural gas for our customers. This is done through a number of steps: transporting the natural gas through high-pressure pipelines to processing in filtering and separation plants, compressor stations, storage and measurement systems, LNG terminals and gas pressure control and measurement systems.

Electricity

The Electricity segment concentrates on providing the infrastructure for the underground transport and conversion of electricity, which is generated from climate-friendly, non-fossil energy sources such as wind, solar, hydro and regenerative resources. Our expertise in electricity transport and conversion focuses on landing offshore electricity and installing high-voltage underground cables through which this electricity is transported to transmission networks. At the end of these cables are connection points in the form of transformer stations, inverters and power-to-heat systems, which connect the transmission networks to local energy distribution networks.

Clean Hydrogen

The Clean Hydrogen segment comprises product solutions and infrastructure services for the conversion of energy from climate-friendly energy sources into clean hydrogen and its transportation to consumers. This is done through a number of processing steps: from the conversion of renewable energy by electrolysis to the processing and transportation of the clean hydrogen produced through storage systems, compressor stations, pipelines and gas pressure control and measurement systems.

Adjacent Opportunities

Furthermore, in the Adjacent Opportunities segment, we concentrate on related turnkey technologies, such as the treatment and cleaning of biogenic and synthetic gases, heat extraction technologies used in district heating, solutions for the transportation of drinking and waste water and specialty solutions for the chemical and petrochemical industry.

Segment results

The accounting policies applied in segment reporting are as described under I. 4. Segment earnings are based on the EBIT of the individual segments, as this is the basis on which the segments are managed.

01/01 - 31/12/2020	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	215,795	36,335	2,303	37,357	0	291,791
Earnings (EBIT)	**34,756**	**7,728**	**305**	**4,857**	**-177**	**47,468**
EBIT-margin (in %)	16.1%	21.3%	13.2%	13.0%		16.3%

01.01. - 31.12.2019	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	144,572	2,977	11	31,771	0	179,331
Earnings (EBIT)	**21,735**	**1,019**	**1**	**6,203**	**4,872**	**33,831**
EBIT-margin (in %)	15.0%	34.2%	13.0%	19.5%		18.9%

Reconciliation of EBIT to net profit for the year	2020 €k	2019 €k
Total EBIT of the segments	**47,646**	**28,958**
Reconciliation to Group EBIT	-177	4,872
Net finance costs	-4,747	-734
EBT	42,721	33.097
Taxes on income	-11,872	-4,539
Other taxes	-290	-173
Net profit for the period	**30,559**	**28,385**

2. Information by region

The Vorwerk Group’s non-current assets are predominantly located in Europe.

3. Information on main customers

In the reporting year, sales revenues with two customers (previous year: three) accounted for more than 10% of the Group's sales revenues. The majority of customers are assigned to the Natural Gas segment.

Customer	2020 €k	2019 €k
Customer A	46,411	33,356
Customer B	36,205	27,674
Customer C	n.a.	22,701
Total	**82,616**	**83,731**

V. Notes to the consolidated statement of cash flows

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

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

	Non-current liabilities to banks	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Total
	€k	€k	€k	€k	€k
Statement of financial position as at 1 Jan 2019	**2,673**	**5,657**	**3,543**	**2,855**	
Borrowing	8,000	13,000	0	0	21,000
Redemption	-2,350	-18,306	0	-3,411	-24,067
Cash changes	**5,650**	**-5,306**	**0**	**-3,411**	**-3,067**
Borrowing	0	0	0	2,700	2,700
Reclassifications	-969	969	-655	655	0
Changes in consolidated group	0	0	4,101	1,253	5,354
New leases	0	0	631	187	818
Non-cash changes	**-969**	**969**	**4,077**	**4,795**	**8,872**
Statement of financial position as at 31 Dec 2019	**7,354**	**1,320**	**7,620**	**4,239**	
Borrowing	850	0	0	0	850
Redemption	-1,164	-220	0	-4,811	-6,195
Cash changes	**-314**	**-220**	**0**	**-4,811**	**-5,345**
Reclassifications	-176	176	-4,484	4,484	0
Deferred interest	0	189	0	0	189
New leases	0	0	1,074	951	2,025
Non-cash changes	**-176**	**365**	**-3,410**	**5,435**	**2,214**
Statement of financial position as at 31 Dec 2020	**6,864**	**1,466**	**4,210**	**4,863**	

VI. Additional disclosures on financial instruments

Financial instruments break down as follows as at the end of the reporting period:

		31/12/2020	
€k	Classification according to IFRS 9*	Carrying amount	Fair Value
Assets			
Trade receivables	AC	20,931	
(31/12/2019)		24,568	
Other financial assets	AC	1,533	
(31/12/2019)		2,679	
Cash and cash equivalents	AC	45,254	
(31/12/2019)		52,361	
Liabilities			
Liabilities to banks	FLaC	8,330	8,634
(31/12/2019)		8,674	8,891
Liabilities from participation rights	FLaC	10,213	15,903
(31/12/2019)		9,963	13,346
Non-hedge derivatives	FVTPL	18	18
(31/12/2019)		0	
Trade payables	FLaC	2,019	
(31/12/2019)		6,083	
Other financial liabilities	FLaC	2,374	
(31/12/2019)		4,304	
Liabilities to non-controlling interests	FLaC	11,973	
(31/12/2019)		18,690	
Aggregated according to category			
Financial assets	AC	67,717	
Financial liabilities	FLaC	34,909	
Derivative financial liabilities	FVTPL	18	

* AC: amortised cost; FLaC: financial liabilities at amortised cost; FVTPL: fair value through profit and loss

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

Cash funds, other financial assets and trade receivables predominantly have short remaining terms. Their carrying amounts as at the end of the reporting period are therefore approximately their fair value.

Trade payables and other financial liabilities are typically short-term; the amounts recognised are approximately the fair values. The fair values of financial liabilities and liabilities from profit participation rights are calculated at the present value of the expected future cash flows. Discounting uses standard market interest rates based on the corresponding maturities and credit ratings.

VII. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's financial liabilities mainly include current and non-current liabilities to banks, liabilities from profit participation rights, current trade payables and other current and non-current liabilities. The Group's financial assets are essentially cash and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €67,717 thousand in the year under review (31 December 2019:

€79,608 thousand). Business relationships are only entered into with partners of good credit standing. Trade receivables relate to a diverse set of customers in the energy sector. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognised for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

Please see II.12. "Liabilities" and II.13. "Other liabilities" for details of the maturities of financial liabilities.

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

2. Capital risk management

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

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

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

	31/12/2020	31/12/2019
Equity in €k	63,604	37,880
- in % of total capital	36.0%	22.6%
Liabilities in €k	113,308	129,586
- in % of total capital	64.0%	77.4%
Current liabilities in €k	70,515	92,291
- in % of total capital	39.9%	55.1%
Non-current liabilities in €k	42,793	37,295
- in % of total capital	24.2%	22.3%
Net gearing*	-0.4	-0.8

* Calculated as the ratio of financial liabilities less cash funds to equity.

3. Financial risk management

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

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

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

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

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

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the respective local currency, thereby largely avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The Vorwerk Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Derivatives (e.g. interest rate swaps or interest rate futures) were only used in hedging as an exception. The Group had liabilities with floating interest rates in the amount of €2,013 thousand (previous year: €2,363 thousand) and an interest rate swap with a nominal volume of €786 thousand as at the end of the reporting period. If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €44 thousand lower (higher).

5. Liquidity risk

Liquidity risk describes the risk that the Group will be unable to meet its payment obligations on maturity. The high level of cash and cash equivalents means there is no liquidity risk from financial liabilities. The Group and its subsidiaries manage liquidity risks by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and coordinating the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as at 31 December 2020 affect the future liquidity situation of the Group.

Type of liability	Carrying amount as at 31 Dec. 2020 €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	8,330	1,359	6,691	379
Liabilities from participation rights	10,213	351	1,779	15,311
Trade payables	2,019	2,019	0	0
Other financial liabilities	2,374	2,374	0	0
Liabilities to non-controlling interests	11,973	4,971	3,150	4,354
Lease liabilities	9,073	4,973	4,369	0
Total	**43,982**	**16,047**	**15,989**	**20,044**

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

VIII. Other required information

1. Executive bodies

Management Board of Friedrich Vorwerk Group SE

- Torben Kleinfeldt, engineering graduate, business graduate, Chief Executive Officer (CEO), since 6 July 2020
- Tim Hameister, business management graduate (M.Sc.), Chief Financial Officer (CFO), since 12 November 2020
- Steffi Brettschneider, until 6 July 2020

Torben Kleinfeldt, Chief Executive Officer, is in charge of the areas of Strategic Development & Internationalisation, Strategic Sales, Procurement, Engineering, Investor Relations and Legal & Compliance. As the Chief Financial Officer, Tim Hameister is in charge of Finance, Controlling and HR.

Torben Kleinfeldt is also the Managing Director of ALX Beteiligungsgesellschaft mbH, Tostedt, and KLEH Immobilienverwaltung GmbH, Tostedt.

Supervisory Board of Friedrich Vorwerk Group SE

- Dr Christof Nesemeier, business graduate, Chairman, since 28 July 2020
- Gert-Maria Freimuth, business graduate, Deputy Chairman, since 6 July 2020
- Anton Breitkopf, business management graduate, member, since 6 July 2020

- Klaus Seidel, from 6 July 2020 to 28 July 2020
- Angelika Hundt, until 6 July 2020
- Simon Fritzsche, until 6 July 2020
- Kai Anschütz, until 6 July 2020

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

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

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

2. Executive body remuneration

Structure of Management Board remuneration

The remuneration packages for members of management are determined in line with their respective function. They are composed of the following main components:

- fixed basic annual remuneration;
- short-term variable remuneration based on the financial year.

Basic salary and fringe benefits

The basic salary takes the form of fixed remuneration paid in twelve monthly instalments. In particular, remuneration in kind and fringe benefits can include the provision of a company car, insurance contributions, travel costs and other fringe benefits. The members of the Management Board are also included in Group D&O insurance (through MBB SE, Berlin).

Short-term variable remuneration

Short-term variable remuneration is determined by the Group's return on sales.

Amount of remuneration

The total remuneration of the Management Board of Friedrich Vorwerk Group SE amounted to €485.9 thousand in the financial year (previous year: €1,016.5 thousand). The remuneration of Mr Tim Hameister was taken into account pro rata temporis. The prior-year information shown relates to the remuneration of the management of Friedrich Vorwerk SE & Co. KG.

Supervisory Board

No remuneration was paid to the Supervisory Board in the financial year.

3. Related party transactions

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

3.1 Related persons

The Vorwerk Group also reports on transactions with related parties and their relatives in accordance with IAS 24. The members of the Management Board of Friedrich Vorwerk Group SE and their relatives were identified as related parties as defined by IAS 24. There were no business transactions with relatives in either the financial year or the previous year.

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

Their remuneration was as follows:

	2020 €k	2019 €k
Salaries and other short-term benefits	486	1,017
Total	**486**	**1,017**

The remuneration of Mr Tim Hameister was taken into account pro rata temporis. The prior-year information shown relates to the remuneration of the management of Friedrich Vorwerk SE & Co. KG.

The Management Board was remunerated through the subsidiaries Vorwerk Verwaltungs GmbH and Friedrich Vorwerk Management SE in the year under review.

The Management Board

In the 2020 financial year, a subsidiary of Friedrich Vorwerk Group SE performed various work projects for KLEH Immobilien GmbH & Co. KG with an arm's length transaction volume of €25 thousand. KLEH Immobilien GmbH & Co. KG is attributed to the CEO Torben Kleinfeldt and a member of the Management Board of Friedrich Vorwerk Management SE.

As at the end of the reporting period, there is an arm's length lease with KLEH Immobilien GmbH & Co. KG for residential space for Friedrich Vorwerk SE & Co. KG. The total transactions under this lease in the 2020 financial year amount to €17 thousand (previous year: €10 thousand). The net amount from transactions with KLEH Immobilien GmbH & Co. KG as at the end of the reporting period is €0 thousand (previous year: €1 thousand).

In the year under review, a motor vehicle was sold in an arm's length transaction (€56 thousand) by Friedrich Vorwerk SE & Co. KG to ALX Beteiligungsgesellschaft mbH, which is attributed to the CEO Torben Kleinfeldt.

Please refer to the information on the remuneration paid to the members of the executive bodies for further details.

3.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry. Related companies are also considered to be those companies described as associated with the above related persons.

Furthermore, MBB SE, the parent company of Friedrich Vorwerk Group SE, and the companies of MBB SE's consolidated group are also considered related parties. Transactions with these companies were conducted at arm's length conditions.

Friedrich Vorwerk SE & Co. KG paid MBB SE €560 thousand for consulting services in the 2020 financial year (previous year: €562 thousand). Costs for IT systems and other services of €14 thousand were also recharged to the Vorwerk Group by MBB SE. There are no outstanding balances as at the end of the reporting period.

Please refer to note II.4 (Working group disclosures) for information on working groups.

4. Employees

The Group had the following employees in the financial year:

Average number of employees	2020 Headcount	2019 Headcount
Technical staff and employees	1,284	862
Total	**1,284**	**862**

As at the end of the reporting period	31/12/2020 Headcount	31/12/2019 Headcount
Technical staff and employees	1,304	1,239
Total	**1,304**	**1,239**

The Vorwerk Group has 85 (previous year: 89) trainees as at 31 December 2020 who are not included in the above figures.

5. Auditor’s fees

The auditor’s fees recognised in the 2020 and 2019 financial years break down as follows:

	2020 €k	2019 €k
Audit services	165	165
Tax advisory services	0	0
Other services	0	0
Total	**165**	**165**

6. Events after the end of the reporting period

There were no significant events after the end of the reporting period.

7. Contingent liabilities and off-balance sheet transactions

It is standard practice within the industry, and normal, to issue various guarantees and warranties to secure contractual obligations. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilised, the banks have claims for recourse against the Group. There is only a risk of a guarantee being utilised if the underlying contractual obligations are not properly fulfilled. Such guarantees have not given rise to claims against the Group either in the financial year or in the past.

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

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

8. Other financial liabilities

For the majority of operating leases, rights of use and lease liabilities have been recognized in the balance sheet. Exceptions to this are short-term leases, leases with low-value underlying assets and variable lease payments.

The off-balance sheet obligations as of December 31, 2020 and in the prior-year period are as follows:

Other financial liabilities	31/12/2020 €k	31/12/2019 €k
Up to one year	775	2,268
More than one year and up to five years	0	0
Over five years	0	0
Total	**775**	**2,268**

9. Appropriation of earnings

The Management Board proposes the distribution of a dividend of €8.05 per entitled share and that the remainder be carried forward to new account.

10. Group Affiliation

Friedrich Vorwerk Group SE, Tostedt, prepares the consolidated financial statements for the smallest group of companies. These will be published in the electronic Federal Gazette. MBB SE, Berlin, prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements will be published on their website www.mbb.com.

11. Exemption from disclosure requirements

In accordance with section 264(3) in conjunction with section 264b HGB, the following companies included in the consolidated financial statements of Friedrich Vorwerk Group SE are exempt from the obligation to disclose their annual financial statements for the 2020 financial year:

- EAS Einhaus Anlagenservice GmbH, Geeste
- European Pipeline Services GmbH, Tostedt
- Friedrich Vorwerk SE & Co. KG, Tostedt
- Vorwerk - ASA GmbH, Herne
- Vorwerk-EEE GmbH, Tostedt
- Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg

Tostedt, 6 February 2021

Torben Kleinfeldt	Tim Hameister
Chief Executive Officer	Chief Financial Officer

Independent auditor's report

To Friedrich Vorwerk Group SE, Tostedt

Audit opinions

We have audited the consolidated financial statements of Friedrich Vorwerk Group SE (the Company) and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, the segment reporting for the financial year from 1 January 2020 to 31 December 2020 and the notes to the consolidated financial statements including a summary of the significant accounting policies. Furthermore, we have audited the Group management report of Friedrich Vorwerk Group SE for the financial year from 1 January 2020 to 31 December 2020, which is combined with the management report of the Company. In accordance with German legal requirements, we have not audited the content of those part listed in "Other Information" section of our auditor's report.
In our opinion, based on the findings of our audit:

- the attached consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as at 31 December 2020 and its results of operations for the financial year from 1 January 2020 to 31 December 2020 in accordance with these provisions; and
- as a whole, the attached Group management report provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development.
- the assurance in accordance with section 297 (2) sentence 4 of the HGB for the consolidated financial statements and the assurance in accordance with section 315 (1) sentence 5 of the HGB for the Group management report

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

Basis for audit opinions

We conducted our audit in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report". We are independent from the Group companies in accordance with the commercial and professional regulations of German law and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the Group management report.
Other information

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

- the consolidated non-financial statement;

- other parts of the annual report, with the exception of the audited consolidated financial statements, the Group management report and our audit opinion;

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.
In connection with our audit, we have the responsibility to read the other information and to assess whether the other information:

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

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of the consolidated financial statements that, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with these accounting principles. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from – intentional or unintentional – material misstatement.

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

Moreover, the legal representatives are responsible for the preparation of the Group management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a Group management report in accordance with the applicable German legal requirements to provide sufficient suitable evidence for the statements in the Group management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the interim financial statements.

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance report in Accordance with sec. 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with sec. 317 (3b) HGB to obtain reasonable assurance about whether reproduction of the group financial statements and the group management report (hereinafter “ESEF documents”) contained in the attached electronic file “Vorwerk_SE_IFRS_2020” and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format (“ESEF-Format”). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the group financial statements and the group management report into the ESEF format and therefore relates neither the information contained within the reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the group financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format. We do not express an opinion on the information contained in this reproduction nor any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying group financial statements and the accompanying group management report for the financials year from 1 January through 31 December 2020 contained in the “Report on the Audit of the Financial Statements and on the Group Management Report” above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the group financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with sec. 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard (ED IDW AsS 410). Accordingly, our responsibilities are further described in the “Auditor’s Responsibilities for the Assurance Engagement on the ESEF-Documents” section. Our audit firm has applied the IDW Standard for Quality Management in the Audit Firm (IWD QS 1).

Responsibilities of Executive Directors and the Board for the ESEF -Documents

The executive directors of the company are responsible for the preparation of the ESEF -documents including the electronic reproduction of the group financial statements and the group management report in accordance with sec. 328 (1) sentence 4 No. 1 HGB and the tagging of the group financial statements in accordance with sec. 328 (1) sentence 4 No. 2 HGB. In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF -Documents free from material non-compliance with the requirements of sec. 328 (1) HGB for the electronic reporting format, whether due to fraud our error. The executive directors of the company are also responsible for the submission of the ESEF -Documents together with the auditor’s report and the attached financials statements and audited group management report as well as other documents will be published to the operator of the German Federal Gazette (Bundesanzeiger). The board is responsible for overseeing the preparation of the ESEF -Documents as part of the financial reporting process.

Auditor’s responsibilities for the assurance engagement on the ESEF-Documents

Our objective is to obtain reasonable insurance about whether the ESEF -Documents are free from material non-compliance with the requirements of sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of sec. 328 (1) HGB, whether du to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal control relevant to the assurance engagement on the ESEF-Documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF-Documents, i.e. whether this file meets the electronic requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF-Documents enables a HTML reproduction with content equivalent to the audited group financial statements and to the audited group management report.

Information on the supplementary Audit

We issue this independent auditor's report for the group financial statements and the group management report, which was additionally prepared as a combined management report, as well as for the electronic reproduction of the group financial statements and group management report both presented to us for audit for the first time, contained in the file “Vorwerk_SE_2020_IFRS“ and prepared for publication purposes, based on our audit duly completed on February 6, 2021 and our supplementary audit completed on April 29, 2021, which relates to the first-time preparation of the management report and the submission of the ESEF documents.

Düsseldorf, February 6, 2021 / limited to the assurance on the facts as specified in the information on Supplementary Audit: April 29, 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grote	Geller
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the coming financial year.

Tostedt, 6 February 2021

Torben Kleinfeldt	Tim Hameister
CEO	CFO

Contact

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Legal notice