ANNUAL REPORT 2020

Leadership in Filtration

MANN+HUMMEL

MANN+HUMMEL AT A GLANCE[1]

Sales	EBIT	EBIT margin	Locations
3.8 billion euros	165 million euros	4.3%	80+ on 6 continents

Total assets	Investments in Research & Development	Employees
3.9 billion euros	108 million euros	21,480 worldwide

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

KEY FIGURES[1]

in EUR million	2020	2019
Sales	3,839	4,213
Operating profit or loss (EBIT)	165	153
As % of sales	4.3%	3.6%
Net profit or loss before income tax (EBITDA)	404	387
As % of sales	10.5%	9.2%
Net profit or loss before income tax and changes in capital economically attributable to the shareholders	80	90
As % of sales	2.1%	2.1%
Consolidated net income	5	-1
As % of sales	0.1%	-0.03%
Free cashflow	265	232
As % of sales	6.9%	5.5%
Total assets	3,855	4,128
Investments in tangible assets	126	143
Depreciation of tangible assets	153	159
Value added per employee in EUR thousand	81	89
Average number of employees	21,480	22,013

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

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FOREWORD BY THE MANAGEMENT BOARD

DEAR LADIES AND GENTLEMEN,
DEAR BUSINESS PARTNERS,

In 2020 with the onset of COVID-19, the MANN+HUMMEL Group took quick and clear actions to bring the required focus needed to navigate exceptionally uncertain times. As one team, we agreed early on to prioritize three goals:

1. KEEP OUR PEOPLE SAFE
We implemented fast responses, COVID-19 steering committees, increased information sharing, and took the necessary safety measures to ensure our people could work safely. Early in the crisis we quickly shifted a portion of our manufacturing capabilities to produce masks when none could be found on the market. We adapted workspaces to ensure sufficient distance could be observed and further applied safety barriers when work required closer collaboration.

2. KEEP OUR CUSTOMERS IN FOCUS AND SUPPORTED
We increased communications to all our customers and worked with great tenacity to keep our factories running and producing critical products for our respective markets.

3. ENSURE OUR FINANCIAL STABILITY
We quickly formed teams to focus on measures to control spending where possible. We also reduced our working capital needs and secured our liquidity.

Considering future needs and following a strategic review of our global presence, we took the difficult decision to close specific sites in Asia, the Americas, and in Europe. While we understand the impact this has on our workforce, we firmly believe the decisions were necessary to support the transformation and continued success of our business.

We established a Performance Office reporting directly to our Management Board with the clear mandate to provide the focus, resources, and governance we will require to fully transform MANN+HUMMEL for the future. We also continued to invest in our key strategic initiatives.

MANN+HUMMEL had solid liquidity throughout the year. This was thanks to our robust financing strategy based on the committed revolving credit facility, as well as the timely refinancing of our Green promissory bill.

One area we continue to focus on and expand as a company is our new drive solutions and fuel cells for electric vehicles. At the same time, we are also continuing to develop important projects that support the internal combustion engine. We are confident that we can continue to develop and deliver the best solutions for sustainable mobility – today and in the future.

In 2020, we continued to pursue our aggressive growth and expansion strategy in the Life Sciences & Environment segment. We saw strong growth in our air filtration business and also acted quickly at the onset of the pandemic to deploy our HEPA filtration solutions, which safely capture more than 99.995% of viruses and their mutations from indoor air, making a positive contribution to the fight against the Coronavirus. In addition to developing increasingly energy-efficient HEPA filters, our development engineers also succeeded in providing stationary and mobile air purifiers with HEPA filters. As a result, this enabled us to significantly expand our presence in the air purification sector. Following the acquisition of helsatech GmbH in September 2020, we are now strongly positioned to grow in the areas of molecular filtration and activated carbon solutions.

After the increase in sales in 2019, we experienced a decline in growth of 8.9% with sales of EUR 3,839 billion in 2020. This was mainly due to the cooling of the global economy. Although we missed our target for total sales as a result of this market contraction, we still achieved EBIT of EUR 165 million. The key factors here were the steps initiated to control costs and the other measures implemented in the reporting year. As a result, we were able to increase EBIT by 7.6% compared to 2019. This increase and the targeted control of our working capital led to a positive development of our free cash flow compared to the previous year. Consequently, we were able to continue deleveraging as planned.

In 2021, we will celebrate our company's 80th anniversary, and we will continue to work as one team with all our stakeholders towards our common goals: The development and production of filtration products and solutions to meet the existing and future challenges of the planet with appropriate solutions. Our more than 21,000 employees are spread across more than 80 sites on six continents. As one team – united by our mission to "Separate the useful from the harmful" – we remain committed to our vision of "Leadership in Filtration". As a result, we look to our shared future with confidence.

The COVID-19 pandemic has sent us a clear message: Humanity is unequivocally connected – be it global issues, resources, or even the air we breathe. And to meet these global challenges, we need to have common goals.

We believe one of our most important common goals is a cleaner planet; it is our common space, and we share its resources. Because when it comes to cleaner mobility, air, and water, there is no mine or yours – there is only ours. The world we live in, the air we breathe, the water we drink, and the ground we walk upon has always been common ground.

We are firmly committed to the issue of corporate social responsibility. That is why we sustainably improved our carbon footprint in 2020.

We would like to thank our employees for their collective dedication, the employee representatives for their continued involvement, the shareholders and Supervisory Board for their support, and our business partners for their trustful cooperation. We look forward to shaping our common future together.

Ludwigsburg, June 2021

MANN+HUMMEL International GmbH & Co. KG

The Management Board

Kurk Wilks	Emese Weissenbacher	Nicolaas Zerbst
CEO	EVP & CFO	COO

REPORT OF THE SUPERVISORY BOARD

80 years. Or, to make it more tangible: A whole human life.

Today, we at MANN+HUMMEL can look back on an impressive company history. It is a tradition that we do not take for granted. Since the company was founded eight decades ago by Adolf Mann and Dr. Erich Hummel, many things have changed in our company and, above all, in the world around us. What has not changed, however, are our principles: The compass of values of a traditional family business.

The year 2020 was shaped by three central topics for our company. First and foremost is digitalization, which continues to offer enormous opportunities for our company and our business model. The second challenge was the general conditions we all faced: The uncertainties of global politics, structural changes in our core business and the automotive industry, and the need to continuously review and adapt our production network. And last but not least: A pandemic of unprecedented scale which had a substantial impact on our business.

Challenges can be met in different ways: Either you master them by acting quickly and consistently, or you stumble. Simply surviving a crisis – this has never been the standard at MANN+HUMMEL. Over the past eight decades, our declared goal has always been to emerge from crises stronger than before.

With great commitment and the courage to change, our entire team has successfully mastered the challenges of 2020. Our company has developed better than initially expected and has always stayed on course in these extraordinarily uncertain times. Our thanks go not only to our team, but also to our customers and partners who have supported MANN+HUMMEL on our journey to "Leadership in Filtration". We are proud and grateful that we have grown together and also successfully managed this situation together.

We look to the future with anticipation, confidence and optimism, convinced that our mission to "Separate the useful from the harmful" is a key to solving the challenges of the 21st century. If the importance of filtration has ever been in question, the COVID-19 pandemic has clearly demonstrated the great value it holds and should hold for all of us.

We are also proud of how our filtration expertise and technologies have enabled us to develop and deliver filters and air purifiers very quickly during this critical time. Our devices filter more than 99.995% of viruses and their mutations from the air. In hospitals, classrooms, supermarkets or anywhere people share air: Our products and solutions ensure that the air is as clean as possible. Ultimately, the name of our product says it all: OurAir.

This is just one of many successful examples of our company's potential. When asked about MANN+HUMMEL's strategy for the future, I would summarize it in a few sentences: We, the leading filtration supplier, are continuing to develop our existing automotive business. In some areas, we are even ex-

panding significantly to support cleaner mobility worldwide. At the same time, we are investing very heavily in technologies that enable cleaner air and cleaner water for people and the world.

If we want to properly prepare for the next eight decades, it is not enough to simply want to preserve what we have achieved so far. We must grow organically and selectively expand our existing businesses. For our goal of driving tomorrow's cleaner mobility, we need to look at alternative forms of propulsion and find suitable solutions. Filtration solutions have an equally central role to play in electric and hydrogen-powered vehicles as they do in traditional internal combustion engines that run on CO_2-neutral synthetic fuels. We are confident that filtration has a permanent place in all types of mobility and drive technologies.

In areas where our organic growth is reaching its limits, we will strengthen ourselves through targeted investments and acquisitions. As we actively develop and prepare our business, we rely on the three drivers of our transformation: Sustainability, mobility, and digitization.

We are particularly dedicated to sustainability. It goes without saying that we comply with environmental standards at all MANN+HUMMEL sites and work together to meet our sustainability targets. In addition, we work side by side with our customers on sustainable products, solutions and services that create added value through the sustainability inherent in filtration.

From the first brave entrepreneurial steps in the 1940s to becoming a trusted global provider of filtration solutions – MANN+HUMMEL is grateful for its success and optimistic about the future. With passion and innovation, we continue to develop the most advanced filtration solutions because we are convinced that there will always be a demand for this key technology.

The Supervisory Board of MANN+HUMMEL Verwaltungs GmbH met twice in the year under review.

The meetings focused on current business developments, particularly in the past year. In addition, there were also discussions on the possible impact of global economic developments.

Additionally, the topics of investment and personnel policies, the quality situation, and the strategic alignment of the company and the Group were examined in depth. Issues with a negative impact on the company were also discussed and examined constructively and critically.

In the 2020 fiscal year, the Supervisory Board once again continuously supported the Management Board by examining and discussing the verbal and written reports of the Management Board in detail at the Supervisory Board meetings. The Chairman of the Supervisory Board also maintained constant contact with the Management Board.

The Supervisory Board was satisfied as to the legality, appropriateness and regularity of the activities of the Management Board at all times. The audit of the annual financial statements of MANN+HUMMEL International GmbH & Co. KG and the consolidated annual financial statements as well as the Group status report of the MANN+HUMMEL Group were audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart. All documents were issued with an unqualified audit opinion. The Supervisory Board examined the annual financial statements, proposal for the appropriation of earnings, consolidated financial statements and Group status report in detail and was provided with a comprehensive report by the auditors regarding the results of their audits. The Supervisory Board approves the audit results without any reservations.

Long-serving shareholder representative on the Supervisory Board, Walter N. Gehl, stepped down from the Board with effect from April 30, 2020. Dr. Klaus Peter Fouquet was appointed as the new shareholder representative with effect from May 1, 2020. The Supervisory Board appreciates Mr. Gehl's many years of dedicated service to the company.

The shareholder families have every confidence in the company on its path into the future.

The Supervisory Board would like to thank all employees of the MANN+HUMMEL Group, the Executive Board, and the employee representatives for their successful efforts in the past fiscal year.

Ludwigsburg, June 2021

MANN+HUMMEL International GmbH & Co. KG

Thomas Fischer
Chairman of the Supervisory Board

OUR INSIGHTS FROM THE YEAR 2020

CUSTOMER FOCUS & SUSTAINABILITY

CUSTOMER FOCUS

KURK WILKS, President & Chief Executive Officer:
2020 was a year of crisis that also held a lot of unexpected events and results for us. A lot had to change in a short time, but there are always new opportunities in disruptive change. If you manage to adapt to the rapidly changing market requirements of this time and also have solutions ready at hand for unexpected customer requests, you will be able to successfully master this change.

Our actions at MANN+HUMMEL are always based on our corporate values – the FILTER values – Focus, Innovation, Leadership, Trust, Empowerment, and Results. Furthermore, we act according to the credo "EXTREME Ownership": We assume that our employees approach all challenges with a very high degree of personal responsibility and targeted customer orientation. We see ourselves as a strong development partner for our customers, because only by working together can we achieve the best solutions. Ultimately, we are successful when our customers are successful. This is also where MANN+HUMMEL excelled with a number of activities in 2020.

The right solution in the right quality at the right price. That is what MANN+HUMMEL wants to offer its customers. But for us, customer focus begins long before that.

Kurk Wilks, President & Chief Executive Officer, and **Harald Späth,** President & General Manager Original Equipment

That is why we launched project "CODE" at the beginning of 2020. The goal is to always be "one step ahead of customers" and thus anticipate their potential information, product, or service needs. As part of this, we are also working to consolidate, standardize, and professionalize all our digital customer touchpoints and channels. In this way, we are building our **C**ustomer **O**riented **D**igital **E**cosystem step-by-step and simultaneously setting new standards.

HARALD SPÄTH, President & General Manager Original Equipment:
At the beginning of the second quarter, our OE business came to an abrupt and almost complete standstill. We reacted swiftly and used our existing capacities in media production, simulation, and testing for other purposes. Straight away, we were able to set up filter media production for masks and even qualify one media for FFP2 and KN95 standards. This is a great example of how to respond quickly and with agility to unexpected market and customer demands. At the same time, it also enabled us to avoid having to put parts of our employees on short-time working.

In our core business, it was more important than ever during this time to coordinate very closely with our customers and to know their requirements and needs. Only in this way was it possible to provide fast and flexible support in this difficult and completely unclear situation, especially as no one could estimate how the markets would develop. Within a very short time, we were thus able to ramp up our supply chains and our own production again after the dramatic slump.

Despite this challenging business environment, our customers stuck to their strategic goals and continued to pursue ongoing projects. We flexibly re-deployed our internal capacities, and our experts provided highly variable support in a liquid work organization. This enabled us to make a valuable contribution to our customers' long-term goals even in times of great uncertainty.

FUA NIPAH, President & General Manager Life Sciences & Environment:
Protecting ourselves, family, and friends from the Sars-CoV-2 infection has probably been on everyone's mind over the past year. While many companies around the world had to close their doors and go into lockdown, our Life Sciences & Environment (LS&E) teams were able to play an active role in combating the global pandemic, as our technology plays an important role in the vaccine manufacturing process. Amongst others, our Water Solutions teams in Goleta (California), Fano (Italy), and Wiesbaden (Germany) continued to produce and supply membrane modules to our customers in the pharmaceutical and biotech industries. This is one of the reasons why our production plants were categorized as "system relevant".

In addition to the start-up of a state-of-the-art face mask production line at our new large-scale plant in Kunshan, China, we were also able to respond quickly to the increasing demand for virus-free air in indoor environments. With more than 60 years of leading expertise in cleanroom filtration and operating rooms, we are uniquely qualified to offer our

Fua Nipah, President & General Manager Life Sciences & Environment individually tested and certified HEPA (High Efficiency Particulate Air) filtration solutions for use in our mobile air purifiers (OurAir) and as upgrade solutions for existing air handling systems. Thus, our air filtration technology can provide virus-filtered air in virtually any indoor environment.

One of the most exciting projects in LS&E in 2020 was a joint development with one of our largest automotive customers, the Ford Motor Company. Following instructions from the former President of the United States of America, Ford set up a production line for the production of assisted air ventilation devices. Today, these protect medical personnel during the treatment of COVID-19 patients from infections. For this project, Ford chose MANN+HUMMEL as its development partner and selected our subsidiary Tri-Dim Filter Corporation to manufacture professional, custom-made mini-HEPA filter elements. The project went live in just 40 days: Further proof that we can achieve great results together with our customers.

SUSTAINABILITY AT MANN+HUMMEL

KURK WILKS, President & Chief Executive Officer:
Have you ever asked yourself what true sustainability is? Let us give you a brief overview of MANN+HUMMEL's world of sustainability. Because we think sustainability is much more than caring about the environment or being philanthropic.

In leading by example, we add a fourth dimension to the existing concept of sustainability, which already includes ecological, economic, and social aspects – technology. In our case: The dimension of filtration. For us, sustainability is not an empty "buzzword", rather a natural part of filtration. For 80 years, we have been separating the useful from the harmful with the help of our core business, filtration. In this way, MANN+HUMMEL has effectively always made a contribution to true sustainability.

Increasing urbanization, air pollution, contaminated water, and freshwater scarcity: These are just a few examples of the growing need for filtration solutions worldwide. We are convinced that professional filtration and separation solutions are key technologies of the 21st century and thus make an important contribution to making the world cleaner and the use of resources more sustainable. Our core competence – filtration – is not only the basis of our success as a company, it is also our responsibility.

With a global R&D network of more than 1,100 engineers worldwide, we at MANN+HUMMEL are continuously working on the development of innovative filtration solutions. For us, clean air and water are not only a human right, they are also a basic requirement for life on earth. These ecological challenges, which we are all faced with, are an integral part of the MANN+HUMMEL business case.

TRANSFORMATION ENABLERS & TALENT MANAGEMENT

IT, DIGITALIZATION, AND TALENTS – OUR TRANSFORMATION ENABLERS

EMESE WEISSENBACHER, Executive Vice President & Chief Financial Officer:
Transformation means change. Initiating a change process and driving transformation requires a high level of trust and a thought-out plan. The plan for a company's transformation towards a successful and profitable future in an increasingly digital world is, to some extent, a given, as important pillars, such as an adequate information technology and structure, as well as the digitalization of products, services, or customer journeys simply cannot be missing. Designing the right plan, however, does not only mean answering the questions of WHAT you do or IF you do it, but rather HOW you do it and WHY.

WHY we at MANN+HUMMEL have been working on this plan
Digitalization has already changed the way how we live and work, and will continue to do so in the future. It has already had an impact on our core business and will continue to play a decisive role here. For MANN+HUMMEL, this is a very welcome opportunity to take our company, our technology, and our solutions to the next level. The situation encourages us to think outside the box. Rather than limiting us, it helps us to continue in the right direction. Being the best partner

Sarina Singh, Director People and Organizational Development, and
Emese Weissenbacher, Executive Vice President & Chief Financial Officer

for our customers, the employer of choice with unlimited opportunities, welcoming the future – this is what drives us to meet the challenge of a successful transformation. Our journey from an international 'analog' automotive supplier to a global, digital and data-driven company for cross-industry filtration solutions with intelligently linked processes and production sites where we provide smart filtration solutions is not a project over the period of a single year, but a continuous process. Transformation never stops, and neither will we.

HOW we approached the topic of transformation and WHAT we are doing

Always starting with the market and what drives our customers, we have created a comprehensive framework against which we will one day have evolved into a fully digitalized company. newIT – the name says it all – is our overarching, global program to completely reorganize our IT infrastructure and organization. The program comprises 30 projects and includes, amongst other things, the establishment of our "Security Operations Center" and an "Identity Access Management System". This will enable us to address fundamentally important and overarching issues such as security and fast, continuous data availability. "Cloud Readiness" together with appropriate governance, the development of our "Application Consolidation HUB" to connect our global data centers with each other, the further rollout of SAP in our Transportation organization and the cloud-based ERP solution SAP/4 HANA in our LS&E sites are just a few examples that show how versatile our solution approach is. In times of a pandemic and social distancing, the urgent need for seamless virtual collaboration reached an even higher priority – another reason to accelerate our global rollout of "Collaboration O365".

MANN+HUMMEL also initiated several digital projects that affect both direct customer interaction as well as internal processes, with the aim of developing a customer-oriented ecosystem and integrated service and lead management processes. Furthermore, we have built a reliable set-up that enables us to make intelligent decisions based on data. This is one of the most important building blocks of our IIoT organization, which is currently being developed.

Driving digital transformation is only part of the plan, because successful change would not be possible without the right people on board, working efficiently together in high-performing teams. We need to enable these people, empower them and make sure they have everything they need to be successful in their jobs. This is because trust, personal responsibility, entrepreneurial thinking, and action are keys to success.

Successfully mastering our transformation requires the right preparation. On the one hand, it is necessary to identify and define the new jobs and tasks that will result from the transformation, and on the other hand, to equip the right people with the appropriate skills to make the successful execution of these tasks possible. Hiring external specialists whose profiles match the required skills is part of this strategy; developing talent within our company the other. We are convinced that we already have great talent on board. At MANN+HUMMEL, we offer an environment for them to develop and grow.

I am very proud of how our employees have handled the past year. Never has a year been more characterized by speed, uncertainty, and surprises, but together we were able to overcome all these challenges: We empowered our employees, and they took responsibility for their tasks with a great deal of initiative. In this context, the diversity of our employees also plays a major role. For us, diversity does not just mean that women have the same rights, positions, or salary levels as their male colleagues. It's also about the many benefits that come from working in teams with different cultural and ethnic backgrounds. We firmly believe that different talents, in terms of education or personal background, can play different but equally important roles within our organization. Accordingly, we support and develop them appropriately and with the same focus.

TALENT MANAGEMENT AT MANN+HUMMEL

SARINA SINGH, Director People and Organizational Development:

We don't believe in hierarchy, we believe in enablement, empowerment, and trust. At MANN+HUMMEL we are convinced that "Everyone has talent" which also forms the foundation of our talent management approach. Not everyone has a leadership profile or wants to become a leader. Some have the skills and talent to develop themselves into an expert or a project career, while others are more qualified for cross-functional or job-family-specific careers. We develop and manage our talents in the context of our organization's requirements and according to their potential and skills. This is how we succeed in achieving our goals – today and in the future. We firmly believe in the concept of diversity and co-creation. For this reason, we involve a variety of different stakeholders with diverse personal and professional profiles in the talent management and development process. Accordingly, these groups are composed of managers and employees of different ages and hierarchical levels as well as works councils. In addition, we incorporate our own experiences from pilot projects, survey results and the ideas of other colleagues into the process. I myself have only recently joined the MANN+HUMMEL Group as Director People and Organizational Development and am very much looking forward to strategically expanding our talent management. In this way, we always ensure that we have the right employees in exactly the right positions, and that we are successful together and remain so.

FOOTPRINT MANAGEMENT & INDUSTRIAL INTERNET OF THINGS

FOOTPRINT MANAGEMENT

NICOLAAS ZERBST, Chief Operating Officer:
MANN+HUMMEL has developed into a global company over the past 80 years. More than 80 locations on 6 continents, with 50 plants in more than 30 countries – that speaks for itself. Despite this strong development as a company, our primary goal has never changed. Our credo is still to provide our services as professionally and as quickly as possible to our global and local customers in the quality they are accustomed to. Before we lived in a connected world, this was only possible if warehouses and production sites were physically close to our customers. Of course, the solution is not to build ever more factories and warehouses around the globe. This would hinder us from being able to offer the best solutions quickly and at a competitive price. Managing our footprint intelligently by defining focus sites that serve as regional hubs and in turn connecting them to each other and to our customers is an important component of our Industrial Internet of Things strategy.

Dr. Mark Müser, Senior Vice President Global Production & Logistics, and **Nicolaas Zerbst,** Chief Operating Officer

INDUSTRIAL INTERNET OF THINGS

DR. MARK MÜSER, Senior Vice President Global Production & Logistics:
For us at MANN+HUMMEL, digitalization is not just about an initiative at our company. In fact, we see digitalization as a topic that concerns EVERYONE. Digitalization does not simply "happen". Rather, digitalization must become a "movement" – and this mindset can only be created if all employees are involved in its creation. The best ideas emerge in mixed groups, in which colleagues from different backgrounds, hierarchical levels and functions or business units from all parts of the world collaborate. But how did we get more than 21,000 employees into a collaborative brainstorming group? By initiating our first ever virtual Ideation Jam, in which all MANN+HUMMEL employees could participate over a total period of 72 hours. During these 3 days and nights, each participant was able to contribute with his own ideas on use cases that could improve our performance in terms of safety, quality, delivery and cost (SQDC) through digitalization. Our Ideation Jam was a great experience that allowed us to really bring everyone along on the journey.

"Being better than our competitors" can be viewed from two perspectives that are strongly connected with one another: On the one hand, from an internal perspective, it's about focusing on our processes, performance, and efficiency. On the other hand, looking externally, it's about our position in the market compared with our competitors. And this in turn is strongly determined by our internal performance.

Building our operations in the context of a digital ecosystem means creating a framework that optimizes and connects the entire value chain from A–Z, with the customer always at the center of our planning. The standardization of processes and the application of LEAN in our optimized production and distribution network form the foundation on which our IIoT framework stands. In order to one day become a fully digitalized company, we must learn to convert large amounts of data into knowledge and new insights. With a project specifically designed for this purpose, we have laid the foundation to facilitate data-driven decision-making and reduce recurring and non-revenue-generating manual tasks. This – and also the networking of our various systems – will enable us to increase our speed and efficiency throughout the company.

PERFORMANCE OFFICE

OUR "BETTER THAN" APPROACH

TRANSFORMING FOR THE FUTURE WITH OUR PERFORMANCE OFFICE

HANNO HÖHN, Chief Supply Chain Officer:
2020 may have been the year of the COVID-19 pandemic, but for us at MANN+HUMMEL it was also definitely a "better than" year. In terms of targeted yet rigorous cost savings, we have never been better. We have never been more united as one team, transcending silos and business units and working in flexible and agile teams around the world. And we have never been faster and more transparent in our internal and external communications. These are all great examples of how we have continuously put our global Group Priorities at the forefront of our thinking and actions: Profitable Growth, Transform for the Future, High Performance Teams, Operational Excellence, and Financial Performance.

We have already been challenging ourselves for many years – not only since the beginning of the crisis in 2020. This is precisely why it is possible for us to say today: "We are better than ever". Because a solid basis for transformation can only grow by continuously and critically questioning what already exists. Furthermore, we always act with our key transformation drivers in mind: changing mobility, digitalization and the growing importance of sustainability. In doing so, we were and are aware at all times that leveraging

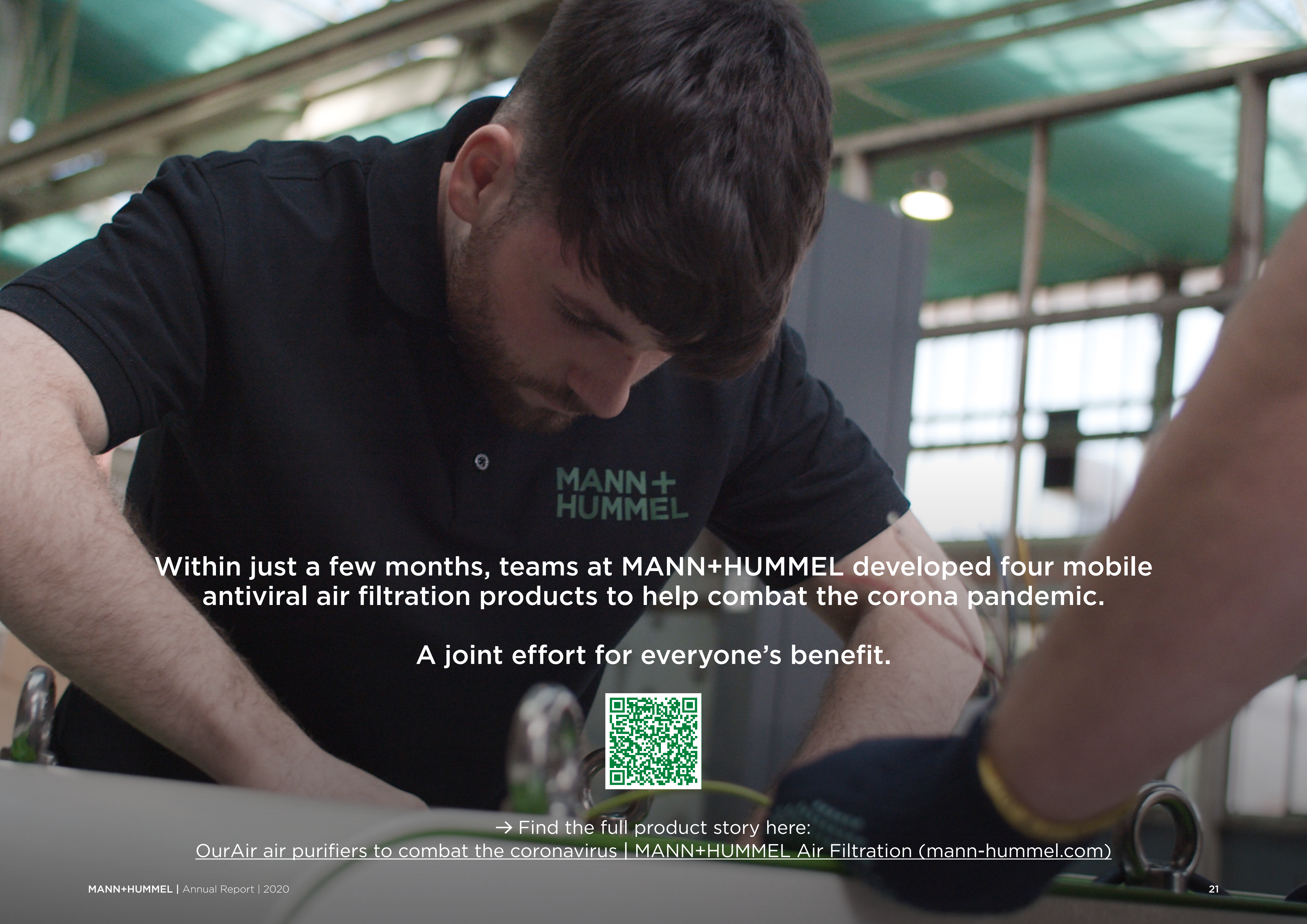
Hanno Höhn, Chief Supply Chain Officer, and **Luisa-Sofia Baumann,** Manager Project Management Cabin Air Filter positive short- and medium-term cost management effects before and during the COVID-19 crisis, as well as managing the diverse strategy and structure projects in a focused and disciplined manner within the time frame provided for them, would require extraordinary efforts. To best coordinate across the company and across functions, and in order to ensure a smooth transition from strategy to execution, we created the top 8/8/20 initiative and a Performance Office as a governance platform. The title of this initiative is derived from "**t**o **o**utstanding **p**erformance" as well as our strategic targets for sales, profitability and return on investment. Of course, "top" also simply stands for itself!

LUISA-SOFIA BAUMANN, Manager Project Management Cabin Air Filter:
The top 8/8/20 program consists of four main clusters and two secondary clusters:

1. "Streamlining the product portfolio" to increase profitability and future alignment.
2. "Adapting the structure and diversity of locations" in our transportation business unit with over 50 plants worldwide.
3. Carrying out projects to "optimize our processes and organization" in order to challenge the status quo.
4. Monitoring large projects dealing with digitalization and transformation, such as analytics, IoT, digital marketing and e-commerce initiatives, but also innovative filtration applications.
5. Focusing on agile work management and collaboration to ensure consistent application of our project management methodology and concentrating on topics such as leadership, work methods and office space design.
6. Accompanying all Performance Office activities with internal and external communication, with the aim of increasing the acceptance of these projects.

We leveraged insights, identified success factors and results from immediate actions undertaken during the first wave of the COVID crisis in the spring of 2020, along with positive momentum, to incorporate selected conceptual ideas such as "Zero Base Spend" into the launch of our Performance Office activities. In the second half of 2020, we launched the Performance Office with more than 20 global and mostly cross-functional "high impact projects" from all clusters while building the team and governance structure.

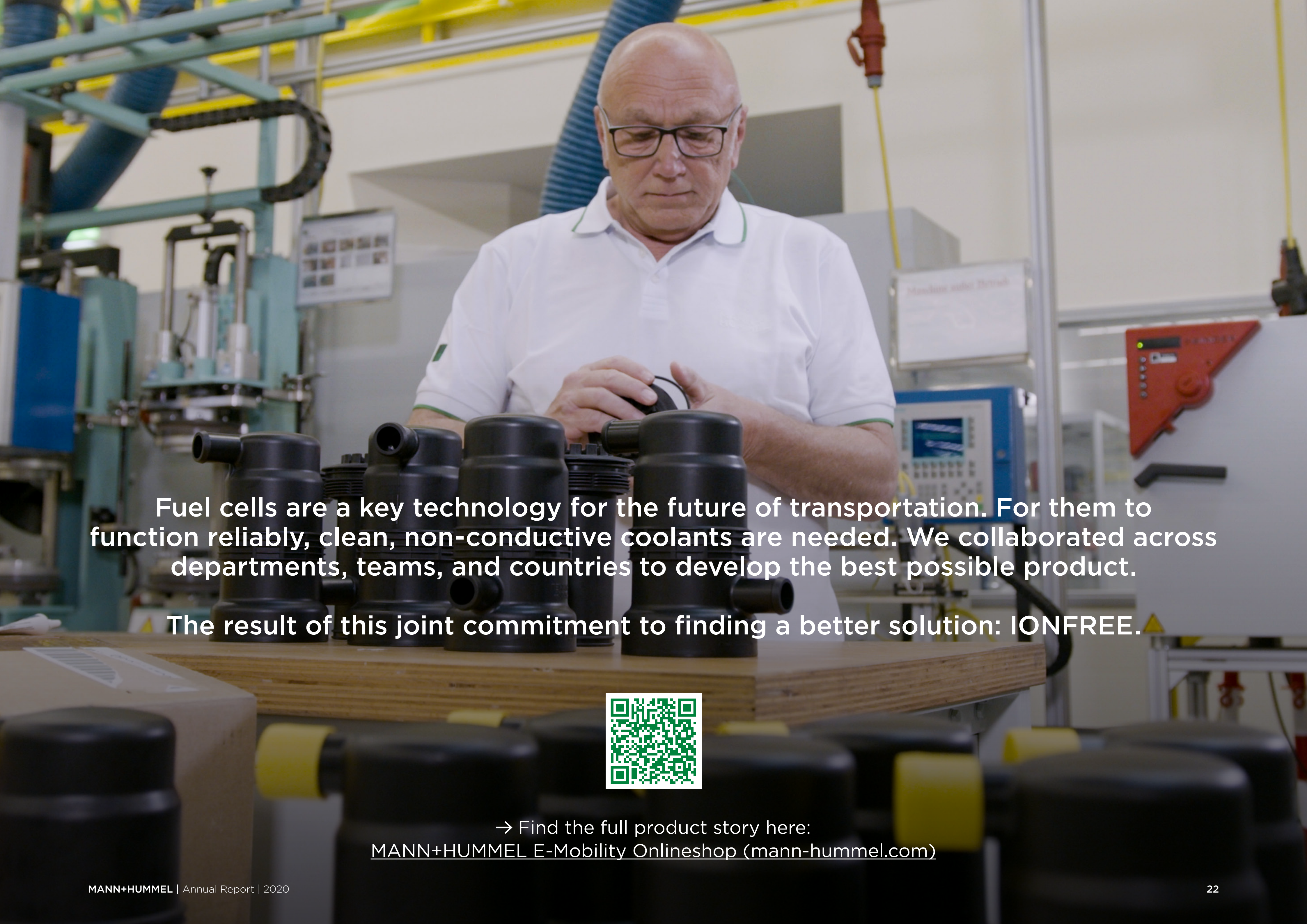
In a nutshell, the role of the Performance Office is to establish strong governance that ensures the execution of top profitability and transformation projects. We also coordinate and support keeping these projects on top management's radar and beyond. Implementation requires the right approach and, most importantly, the right people. We have both at MANN+HUMMEL. That is why we are confident that our Performance Office will make an important contribution to successfully and sustainably mastering the ongoing transformation processes – with focus and discipline to achieve outstanding performance.



Within just a few months, teams at MANN+HUMMEL developed four mobile antiviral air filtration products to help combat the corona pandemic.

A joint effort for everyone's benefit.

→ Find the full product story here:
OurAir air purifiers to combat the coronavirus | MANN+HUMMEL Air Filtration (mann-hummel.com)



Fuel cells are a key technology for the future of transportation. For them to function reliably, clean, non-conductive coolants are needed. We collaborated across departments, teams, and countries to develop the best possible product.

The result of this joint commitment to finding a better solution: IONFREE.

→ Find the full product story here:
[MANN+HUMMEL E-Mobility Onlineshop (mann-hummel.com)]

Clean water is a valuable and scarce resource that is still not accessible to all. In collaboration with customers, we have developed an affordable solution for smaller facilities.

The result: BIO-CEL® EASY, the simplest plug and play unit for water filtration and recycling that anyone can install.

→ Find the full product story here:
[BIO-CEL® EASY – Submerged Membrane Bioreactor (microdyn-nadir.com)]

CONSOLIDATED STATUS REPORT OF MANN+HUMMEL INTERNATIONAL GMBH & CO. KG, LUDWIGSBURG AND THE GROUP FOR THE 2020 FISCAL YEAR[1]

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

1. GROUP BUSINESS MODEL

MANN+HUMMEL is a leading global expert in filtration technology. The Group, headquartered in Ludwigsburg, Germany, has more than 80 locations on six continents. We offer our filtration solutions on the international markets in the business-to-business sector.
Our current business model is divided into two business segments: Transportation and Life Sciences & Environment. These business segments are structured as follows:

- Transportation is comprised of the Original Equipment (OE) and Aftermarket (AA) business units. Through these business units, we serve, among other things, the needs of the automotive industry (Automotive Solutions) with air filter systems, intake systems, liquid filter systems and plastic components. Our high-performance filter systems are also used in the areas of construction and agricultural machinery, rail vehicles, ships and in power engineering.
- Life Sciences & Environment (LS&E) is divided into the Air Filtration and Water Solutions business units. In LS&E we work on pioneering solutions for air and water filtration. Our air filtration portfolio includes filters for indoor and outdoor spaces, clean rooms and industrial applications, as well as stationary and mobile air cleaners with HEPA filters for the safe separation of viruses, bacteria and other microorganisms. In addition, some of our cabin air filters are equipped with anti-allergenic and anti-microbial functions. We provide solutions for offices, schools, commercial and industrial buildings, as well as for potentially explosive atmospheres such as offshore oil rigs. Our product range is further extended by stationary systems for the filtration of fine dust and nitrogen dioxide and for the improvement of outdoor air quality. Our expertise in water filtration covers water and wastewater treatment in both municipal and industrial applications. Our products are used, among other things, to efficiently use and recycle scarce existing freshwater resources. They are also used in special applications such as in the food sector, in biotechnology or in other ultrapure water areas such as microelectronics.

For all our business areas, we are also increasingly offering digital services and intelligent solutions that meet the individual needs of our customers including: Networking of our products via the internet (Internet of Things, IoT), cloud connectivity for data analysis, algorithms and user-friendly apps.

Transportation accounts for approximately 92% of our sales, while LS&E accounts for approximately 8%. From a strategic perspective, both business segments serve the growing demand for innovative filtration products.

In order to continue the conveyance of our vision "Leadership in Filtration" and our mission "Separating the useful from the harmful" to the outside world, we have expanded our product range to include applications outside the transportation sector and, in addition to our proven solutions for cleaner mobility, we now also offer filtration solutions for cleaner air and cleaner water.

For MANN+HUMMEL, in addition to profitable growth and increasing competitiveness, our main focus is on one thing: The customer.

To ensure this continues, selected processes are standardized and then combined in our Global Business & Technology Solutions. We thus reduce costs on the one hand and establish a strong service culture for MANN+HUMMEL on the other. This is because here, too, we always have one thing at the center of all our activities: Customer focus. Apart from this, the standardization of our corporate processes is the decisive prerequisite for further advancing our digitalization.

In addition to our business units and Global Business & Technology Solutions, we have also bundled production organizationally. Here, our group-wide management system ensures that decisions are made more quickly and that we can always act dynamically as a company. This also includes clear assignment of group-wide roles and responsibilities. In this way, we will continue to leverage global synergies and best practices in order to work more efficiently and to serve our current and future markets even better.


MANN+HUMMEL
Filter Cube III
Feinstaubfresser.de

2. RESEARCH & DEVELOPMENT

One thing is certain: The global demand for filtration solutions will continue to increase in the future. This opens up opportunities for our company in existing and in new markets.

We are constantly working to strengthen our product portfolio and apply our filtration expertise to new areas of business. In the area of alternative drive technologies, for example, we are already offering our customers pioneering solutions for fuel cell and high-voltage battery systems, including filter elements and systems for air and fluid circuits in battery systems. We are also increasingly working on products that can be linked to digital services to create additional benefits for our customers.

We are also driving the development of components and complete systems in existing business units. We integrate numerous functions in these systems and make them intelligent through the use of sensors, actuators and controllers. Connectivity to cloud solutions is also possible. In this way, we are creating intelligent products and solutions that can identify or even prevent problems. Thanks to these options, coupled with our systems expertise, we continue to win technically demanding customer projects in all areas of filtration and strengthen our position in the market.

Over 1,000 people worldwide are working on the research and development of new innovative products for the MANN+HUMMEL Group. In 2020, the company spent EUR 108 million (2.8% of sales) on research and development and filed patent applications for over 81 developments in the reporting year.

The MANN+HUMMEL Group's research and development locations are divided into Centers of Competence, which have the authority to issue guidelines, as well as regional clusters (Engineering Centers) and local research and development locations (Application Centers). In addition, the Group set up the Internet of Things Lab (IoT Lab) in Singapore in 2016, which develops digital products and services.

TRANSPORTATION

With its core competence of filtration, MANN+HUMMEL supports cleaner mobility. This applies to applications for combustion engines and alternative drive technologies such as electric drives or fuel cells. In particular, the significant increase in sales figures for vehicles with electric drives in 2020 contributed to the acceleration of this development. Consequently, and also by creating new variations and functional adaptations, MANN+HUMMEL was able to win additional orders in the field of battery ventilation. The standard product range for fuel cells was also further advanced. Here, water separators for the supply air side and new cathode air filters were a key element.

The global pandemic brought the issue of clean breathing air sharply into focus. In this context, we accelerated developments in the area of improved air quality in vehicle interiors. For example, MANN+HUMMEL was able to win orders for air filter systems for cabin air treatment with nanofiber and HEPA air filters, which increase particle separation and thus the purity of cabin air in passenger cars to a higher level, particularly in comparison with systems that have been available on the market to date. The effectiveness of these systems has already been tested in trials under real road traffic conditions in various regions of the world.

MANN+HUMMEL has been working for many years on technical filtration innovations to keep the air we breathe as clean as possible. As of today, only a fraction of a vehicle's particulate emissions are regulated by law. However, the majority of emissions are not recorded. This is made up of fine dust – arising from brake dust due to abrasion on the brake disc – and brake lining, and from tire and road abrasion. And added to this is the resuspension of particles already on the road.

To this end, in 2020 we further developed the systems for particulate filtration on the brake and increased their performance. Particles from the above mentioned sources are now filtered by the fine particulate filter integrated into the vehicle. In this way, the particulate emissions balance of a vehicle can be improved relative to the level of air pollution. In the year under review, these systems underwent further technical development, the first series applications went into operation and test runs were initiated with other customers.

MANN+HUMMEL also continued to be active in the Heavy Duty sector: This enabled us to win new orders for liquid filtration modules and should further strengthen our market position in this field.

This also applies to air filters, where, among other things, new standard products were launched on the market. These include the new ENTARON HD 2.5 and the technology of filters that are cleaned automatically during operation. This new technology enables an increase in filtration performance, saves the customer valuable time in terms of downtime and working hours, as well as providing additional safety aspects.

LIFE SCIENCES & ENVIRONMENT

AIR FILTRATION

We utilize our decades of experience and our extensive knowledge in the areas of filtration and air purity in our Life Sciences & Environment Air Filtration business unit. This business unit provides filtration solutions for indoor spaces, cleanrooms, energy generation and industrial applications. Furthermore, solutions for clean outdoor air in public areas (Public Air Solutions) and antiviral air purifiers, whose core, the HEPA filter technology, originates from our 60 years of cleanroom filtration expertise.

Our development teams succeeded once again in transferring technology with the qualification of an expanded polytetrafluoroethylene (ePTFE) membrane technology for HEPA filters. The new filter type Nanoclass Cube Membrane Pro is based on this technology and is a highly efficient HEPA filter of class H13 or H14. It safely separates more than 99.95% or 99.995% of viruses, bacteria and other microorganisms and complies with the fire protection regulations according to EN 15423. A particular special feature of this filter: A very low differential pressure compared to standard HEPA filters made of micro glass fibers.

This technology is a significant advance and actively contributes to minimizing potential infection from the coronavirus by filtering airborne viruses that attach to aerosols directly from the air. This can be achieved either by upgrading existing air handling units to HEPA level or by providing mobile and stationary air cleaners with HEPA filters.

We were therefore able to prove here as well that MANN+HUMMEL can develop and offer filter media and elements with excellent filtration efficiency and optimized pressure loss.

Additionally, we were able to combine our experience and expertise in the field of intelligent digital solutions from various digital projects and concepts for indoor filtration. We market this concept under the name "Tri-Dim Digital Suite", mainly in North America. Tri-Dim Digital Suite combines years of experience and valuable filtration knowledge with artificial intelligence (AI) to provide a complete clean air management solutions.

A valuable part of the Tri-Dim Digital Suite is MANN+HUMMEL's in-house startup, qlair, founded in 2018. With the help of sensors, analytics and data, qlair offers its customers, such as facility managers, valuable insights for optimizing their predictive maintenance programs. This allows building operators and owners to ensure the optimal operation of their air filtration solutions, enabling clean air for the well-being of people in the building at optimized energy costs.

Other successes in the year under review include the successful transfer of technical solutions from the Transportation business segment to the applications for "Home Appliances" via the "Gas Adsorption" technology platform. In addition, filters for odor reduction based on specially developed activated carbons for cleaning kitchen exhaust air were sold to various household appliance manufacturers. This division was strengthened through the acquisition of helsa Functional Coating from helsa GmbH & Co. KG

WATER SOLUTIONS

MICRODYN-NADIR, a global manufacturer of membranes and modules for water filtration, has been a member of the MANN+HUMMEL Group since 2015. Its activities are focused on water filtration and wastewater treatment as well as on processes and special applications, for example in the food sector.

The North American membrane manufacturer Tri-Sep Corporation became part of the Group in September 2016. Already at that time, the company was one of the market leaders in the membrane industry for special and customized applications, and expanded the MICRODYN-NADIR portfolio to include reverse osmosis and special nanofiltration membranes. Thereafter, Tri-Sep was renamed MICRODYN-NADIR US to further strengthen MICRODYN-NADIR's position as a global player in the market. The European reverse osmosis spiral wrap manufacturer, Oltremare S.p.A., has also been a part of the Group since January 2018. The companies now offer their membrane and module solutions globally under the MICRODYN-NADIR corporate brand.

Wastewater recycling and treatment are among the greatest challenges facing us today. We use advanced products and innovative technologies in our efforts to achieve the goal of sustainable water management at the industry and municipal levels. In the year under review, we therefore invested considerable effort in further improving the MBR module BIO-CEL® L-2 (membrane bioreactor).

We have also further developed our cloud-based platform STREAMETRIC and successfully implemented this in customer projects. This digital solution provides us and our customers with a real-time overview of the status of individual plants and detects any faults at an early stage. In addition, customers receive recommendations for further optimization of operations and cleaning and can thus operate their plants as cost-efficiently as possible.

There is growing awareness of the problem of microplastics and multi-resistant germs in wastewater. One solution is our BIO-CEL® Activated Carbon Process and the associated product and service solution. In order to test and prove the effectiveness of this approach, a pilot project was launched with partners from the city administration, industry, research & technology at the Darmstadt University of Applied Sciences and the IWAR Institute at Darmstadt Technical University.

The teams also worked on the development of new products. These will be available next year and include a new 10k membrane for dairy products and a new nanofiltration membrane that will be used primarily in sweetener applications in its initial phase.

With the result of a sustainable production process and increased safety for people working with the machinery in mind, the development team was able to provide a more environmentally friendly solvent formulation, eliminating a toxic solvent in the cellulose acetate casting process.

At MANN+HUMMEL, we focus on digital solutions for the development of filter media and elements across all areas. We have successfully used user-defined simulation software for virtual filter media development for many years. Here, the simulation sequences model filtration processes and loading procedures at the micro-structure level, thus providing insight into the media structure and the evaluation of filter media performance. With the help of extensive parameter studies carried out virtually, new filter media concepts can then be evaluated and thus new, innovative media can be developed.

CORPORATE VENTURES

In 2020, MANN+HUMMEL Corporate Ventures further expanded its existing portfolio and made one additional investment. Despite the impact of the coronavirus pandemic, several of our portfolio companies, including Retromotion, Second Nature and Kaiterra, met their growth expectations. In September 2020, MANN+HUMMEL Corporate Ventures invested in ZwitterCo in a series seed investment round. ZwitterCo is a water membrane technology company developing Zwitterion, a polymer that adheres directly to ultrafiltration membranes and thus has high antifouling properties.

This technology is well suited for process and waste water treatment with a high content of fats, oils and other biological components. It is a platform technology, which means that it can be applied for use in hollow fibers, other established nanofiltration markets, and eventually in membrane bioreactors (MBRs).

3. OVERALL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

GLOBAL ECONOMIC DEVELOPMENT 2020

Global economic activity has decreased by approximately 10% in the first half of 2020 as a result of the COVID-19 pandemic[1]. The recovery of the global economy from the economic slump in the spring was promising until the autumn, but weakened again towards the winter. World production increased by almost 9% in the third quarter. This means that the historical slump recorded in the first half of the year as a result of the COVID-19 pandemic was largely made up for and the pre-crisis level was only undershot by 2%.

However, the quarterly average belies the fact that sentiment in many companies deteriorated significantly in November, following a sharp rise in infection rates in the autumn and renewed restrictions on social and economic activity in many countries to contain the pandemic. World trade (goods) decreased by 5.4% this year[2].

With the change of administration in the United States, the trade climate may improve, while the impact of Brexit, however, remains a downside risk to the forecast[3]. The German economy declined by 5.0%[4] in 2020, while the eurozone economy declined by 7.3%[5].

Rising industrial commodity prices in 2020 point to a robust outlook for industrial production. However, this was not enough[6] to kick-start the US economy, which contracted by 3.6%[7].

In the first quarter of 2020, global economic activity is estimated to have contracted by 3.5% quarter-on-quarter, with a particularly sharp fall in output in China, where strong measures were first taken to contain the coronavirus[8]. However, China was able to make a significant turnaround, reaching a growth rate of 2.1% in 2020. Furthermore, Russia and Brazil each reported a decline in growth with 2.7% and 5.2% respectively[9].

1 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_69_2020-Q3_Welt_DE_.pdf
2 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_73_2020-Q4_Welt_DE.pdf
3 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_73_2020-Q4_Welt_DE.pdf
4 https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/01/PD21_020_811.html
5 https://www.ecb.europa.eu/pub/projections/html/ecb.projections202012_eurosystemstaff-bf8254a10a.de.html
6 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_73_2020-Q4_Welt_DE.pdf
7 VDA Konjunkturbarometer [VDA Economic Barometer], December 2020
8 https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2020/KKB_67_2020-Q2_Welt_DE.pdf
9 VDA Konjunkturbarometer [VDA Economic Barometer], December 2020

AUTOMOTIVE MARKET SITUATION

The corona crisis had a massive impact on international markets in 2020. In almost all countries of the world, sales declined, in some cases drastically. In 2021, international markets are expected to grow across the board – but pre-corona levels are not expected to be reached overall.

A total of just under 12.0 million new passenger cars were registered in Europe, 24% fewer than in the previous year. The five largest European markets recorded double-digit declines across the board this year. In Germany, new registrations fell by 19%[1].

In the USA, the light vehicle market (cars and light trucks) ended 2020 with just under 14.5 million vehicles sold (–15%). This was the first time since 2012 that the US market did not exceed the 15 million mark.

China has largely put the coronavirus pandemic behind it. Thanks to a rapid recovery, the decline in 2020 has been reduced to 6% (19.8 million units). In India (–18%), Japan (–11%) and Russia (–9%), demand was significantly below the previous year's level.

In Brazil, the light vehicle market recorded a significant decline in the full year 2020. New car sales fell by just under 27% to 2.0 million units. This abruptly ended a three-year recovery period.

NON-AUTOMOTIVE AIR FILTRATION MARKET SITUATION

The global air filtration market consists of various major and minor segments. The heating, ventilation, and air conditioning (HVAC) market is the main segment and grew by 4% in 2020. Within the HVAC market, Asia is the fastest growing region with a growth of 5% in 2020[2].

Other air filtration markets in which MANN+HUMMEL is active include power generation, molecular filtration and operating rooms. Each market and region has its own dynamics and growth drivers. There are various reasons for the growth of the air filtration market in 2020. One factor is that air filtration is an effective way to reduce airborne contaminants and improve air quality. This came into even sharper focus, especially with the COVID-19 outbreak. Other factors, include the increasing population, the need for high energy efficient filters and stricter government regulations[3,4].

MEMBRANE MARKET SITUATION

The global reverse osmosis, ultrafiltration, and microfiltration membrane elements market grew by 3% in 2020. Here, Africa was the fastest growing region with growth of 5%, although it only accounted for 4% of the total market. Asia was the second fastest growing region, accounting for 51% of the total market[5].

Major drivers for the membrane market are increasing global population, growing awareness[6,7] of wastewater reuse, and stringent environmental regulations and policies being implemented. The fastest growing segments include chemicals, desalination and water.

1 https://www.vda.de/de/presse/Pressemeldungen/210119-Europ-ischer-Pkw-Markt-bricht-2020-um-ein-Viertel-ein.html
2 McIlvaine Air Filtration Market Data Set
3 https://www.grandviewresearch.com/industry-analysis/industrial-air-filtration-market
4 https://www.strategyr.com/market-report-air-filters-and-filtration-equipment-forecasts-global-industry-analysts-inc.asp
5 McIlvaine Reverse Osmosis, Ultrafiltration and Microfiltration Market Data Set
6 https://www.marketsandmarkets.com/Market-Reports/membranes-market-1176.html
7 https://www.databridgemarketresearch.com/reports/global-membranes-market

4. BUSINESS TRENDS

MANN+HUMMEL's business performance in the year under review was dominated by the effects of the COVID-19 pandemic. While sales in the Transportation business segment declined significantly in the Original Equipment business unit, the Aftermarket business unit developed stably. The Life Science & Environment business segment, on the other hand, was able to offer products to combat the pandemic and thus increased its sales.

TRANSPORTATION

ORIGINAL EQUIPMENT

In the Original Equipment business unit, sales in 2020 decreased by 17.6% compared to the previous year.

The sharp decline in our automotive business – both Passenger Cars and Heavy Duty On-Road – in the wake of the corona crisis and its massive impact on the European region was mitigated by stable business performance in our Heavy Duty Off-Road segment. We also succeeded in acquiring various new projects, particularly in the area of new products for alternative drive systems – both for battery-electric vehicles and fuel cell applications.

In the Asia-Pacific region (APAC), we were able to close the year above the previous year's level despite the general market downturn. This was driven primarily by strong business in the Heavy Duty On-Road segment in China. This division participated in a stimulated market environment and, additionally, new series start-ups contributed to additional growth.

Although the passenger car market declined sharply throughout the region, we were nevertheless able to outperform the market here as well, thanks to market share gains in China and Korea.

In China in particular, we were able to further expand our market share in the Passenger Car segment by implementing the order gains of recent years and maintain the previous year's sales in a declining market. The Heavy Duty Off-Road segment was able to maintain a stable performance thanks to additional business acquired at short notice.

The year under review was also particularly challenging in the Americas. COVID-19-related interruptions placed a burden on our customers as well as our employees.

Across the Americas, business declined by 25% compared to our original projections. As in Europe, most customers here also stopped production between mid-March and the end of May. However, our business recovered faster than expected. We achieved this in no small part due to our operations and supply chain teams across the region putting in extra effort to deal with the challenging situation.

Our team in the Americas, along with our global colleagues, was once again recognized as the 2019 General Motors Supplier of the Year. This was the 25th time that MANN+HUMMEL has received this award, more often than any other supplier.

Although 2020 brought many challenges, customers nevertheless confirmed their trust in MANN+HUMMEL. We know this because we generated record levels of new business in the region. We secured new projects in all segments and were particularly successful with new mobility products, cabin air systems and new customers. In our Industrial Filtration segment, the team even achieved our highest ever order intake.

For 2021, the successful execution of project ramp-ups is now key for us, as is the continuation of momentum in new mobility and industry segments.

Overall, customers continue to attach great importance to alternative drive technologies, which is leading many automakers to postpone or reduce investments in their current product portfolio. To meet this high demand, we increased our business activities in 2020 with new filtration solutions for alternative drives and low-emission mobility.

We were once again pleased to receive numerous customer awards, confirming our commitment and customer focus in the year under review.

AFTERMARKET

In the Aftermarket business unit, sales in 2020 decreased by 4.3% compared to the previous year.

In Europe, we slightly expanded our business in the Independent Aftermarket (IAM) for the IAM product brands MANN-FILTER, WIX Filters and FILTRON despite challenging conditions and ongoing market consolidation. We expanded our product range for these brands by more than 350 products, thus consolidating our market coverage in the European Passenger Car and Truck segment to over 97%.

In the aftermarket business with original equipment manufacturers (OES), the low inventory levels of our European customers in the early summer led to a significant increase in sales in the second half of the year. Thanks to the excellent performance of our production plants, we were able to cope with this increased demand without any problems.

In the Asia region, even in the face of challenges related to COVID-19, our team in China exceeded expectations and delivered on our strategy. This had a positive effect on our competitiveness.

Elsewhere in Asia, despite the pandemic situation in the first half of the year, we were able to realize both the forecasted growth for the Independent Aftermarket and a late recovery for the Original Equipment Spare Parts (OES) business through strong customer partnerships.

The Americas region was also significantly impacted by COVID-19 and the lockdown measures in several countries. However, the “Do it Yourself” (DIY) business sold via our retail partners and eCommerce platforms performed very well. The pandemic-related negative impact on the commercial and heavy-duty business was much more pronounced. It was not until the end of the year that signs of recovery became apparent. Compared with the indicators for the automotive parts market in the region, MANN+HUMMEL was able to increase its market share here.

In the Middle East and Africa region, we continued to see growth above 2019 levels despite the pandemic and political as well as economic challenges. Our goal here was to continue to supply the market with “Value for Money” products in order to increase our competitiveness in the market.

LIFE SCIENCES & ENVIRONMENT

In the year under review, the Life Sciences & Environment segment recorded an increase in sales of more than 5,6%. This significant increase is partly due to the global coronavirus pandemic that broke out at the beginning of the year. This enabled us, despite the well-known challenges in the context of the first lockdown, to initially generate additional business with the supply of face masks, for which we set up our own production lines at our Life Sciences & Environment plant in Kunshan, China.

The rest of the year also saw strong growth in HEPA Filtration. As this technology can be used globally indoors as a virus-filtering upgrade option and also as a core element of our newly developed antiviral air purifier series, which we market under the OurAir brand. Accordingly, business in heating, ventilation and air-conditioning technology in particular developed above average and, in addition to the expansion of existing customer relationships, new major customers continued to be acquired.

As a specialist for HEPA filtration, we also continue to be in great demand for particularly sensitive clean room applications. In the context of the coronavirus pandemic, we were also able to implement new projects for the use of our filter media in medical products, even outside the application of indoor air or operating room filtration.

In the operating rooms segment, the first hospital project in the Middle East was successfully implemented with one of our cooperation partners for medical equipment using our new Laminar Flow Technology (LTF) system, which was specially developed for hybrid operating rooms.

Our outdoor and semi-enclosed air filtration activities, which we group together under the name “Public Air Solutions”, are also performing very positively. In addition, we are working on numerous international projects ranging from busy road junctions to underground stations and amusement parks.

We continue to achieve growing success in air filtration in the area of power generation application through exports and partnerships.

Our subsidiary Tri-Dim Filter Corporation, together with the Ford Motor Company, was instrumental in a project initiated by the U.S. government to manufacture active ventilators for use in medical emergencies and is supporting this project by supplying a special edition of our HEPA filter elements.

The pandemic also brought new business opportunities to Tri-Dim Filter Corporation's digital division, including qlair. Together, they expanded their offerings to facility managers of healthcare facilities, universities, and automotive paint booth applications as increased awareness of indoor air quality created additional demand among facility management executives.

One particularly positive piece of news was that one of qlair and Tri-Dim's customers, the UCSD RIMAC Center, was selected as the university's COVID-19 inoculation center because of its improved air quality management and professional filtration solutions.

We achieved a further milestone for the Air Filtration division with the acquisition of helsa Functional Coating. This is a business segment of the helsa Group, which will expand MANN+HUMMEL's portfolio in the field of elastomer and activated carbon technology for special industrial applications (molecular filtration), among others.

The Home Appliances division also continues to show an extremely positive performance and sales increased further in the year under review.

Growth in the year under review is also due to the successful work of MICRODYN-NADIR and Oltremare, our water filtration sites in the USA, Germany and Italy. Since our membrane technology is also used in the pharmaceutical and biotechnology industries and is therefore considered "system-relevant", our plants did not have to close. In this way, our colleagues at these locations were also able to contribute, at least indirectly, to the fight against the pandemic.

In addition, the first positive results from field trials with the still very young company ZwitterCo, in which MANN+HUMMEL Corporate Ventures invested during the year under review, were evident. This investment promotes the commercialization of emerging technologies for wastewater treatment.

Other notable successes in the year under review include the largest order in the history of our membrane bioreactor module MICRODYN BIO-CEL. Here, 336 modules were installed in a wastewater treatment plant in China. We also introduced a new product brand – PureULTRA – under which we will market our standard ultrafiltration product line in the future.

Likewise, with the announcement of a new distribution partnership in India, we have created good conditions for the further development of our water filtration and membrane activities in this region.

Of course, the pandemic presented a lot of challenges during the year under review, but our employees at MANN+HUMMEL sites worldwide worked tirelessly and successfully to overcome them. During this time, we have not only been able to establish ourselves as a strong and reliable partner for global customers, but have also always placed a special focus on the health and well-being of our employees and colleagues. This perseverance paid off and resulted in a very satisfactory result. This is a very proud achievement for us.


MANN+
HUMMEL

80 YEARS LEADERSHIP IN FILTRATION

MANN+HUMMEL

MANN FILTER

WIX FILTERS

FILTRON

PUROLATOR

seccua

qlair

i2M a MANN+HUMMEL company

MICRODYNNADIR A MANN+HUMMEL Company

TRIDIMHARDY A MANN+HUMMEL Company

TRIDIM A MANN+HUMMEL Company

HELSATECH A MANN+HUMMEL Company

5. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS OF THE MANN+HUMMEL GROUP

The sales revenues of the MANN+HUMMEL Group decreased by 8.9% or by EUR 374.5 million in the past fiscal year to EUR 3,838.7. Among other things, this change is also due to exchange rate effects. Overall, the change in sales revenues was influenced by negative exchange rate effects in the amount of EUR 140 million. The negative growth rate adjusted for these exchange rate effects was –5.6%.

The coronavirus crisis also had a strong impact on the reduction in sales revenues. This naturally no longer corresponded to the performance forecast at the beginning of the fiscal year.

The most severe crisis-related decline was experienced by the original equipment business. Here, sales fell by 17.6% to EUR 1,360.2 million (previous year: EUR 1,651.5 million).

However, the aftermarket business was able to react much better to the developments in the past fiscal year. Here, sales revenues decreased by only 4.3% compared to the previous year. However, if the aforementioned currency effect is also adjusted here, sales would be only –0.4%, just slightly below the previous year's level. Among other things, this was due to a further expansion of business in the various product brands, despite challenging conditions and ongoing market consolidation.

Satisfactory results were also still achieved in the aftermarket business for original equipment. Additionally, sales in the Life Sciences & Environment business segment increased by 5.6% compared to the previous year. In addition to organic growth of 4.0%, this is also attributable to the first-time inclusion of helsatech GmbH, in the consolidated financial statements for three months representing a sales amount of EUR 4.4 million.

Within the business segment, however, the performance compared to the previous year was very different. Sales revenues in the water filtration sector, for example, decreased by 15.3% or EUR 11.7 million to EUR 64.7 million compared to the previous year. However, the pandemic impact on this area was mitigated by ongoing production. In addition, sales in the air filtration sector rose by EUR 27.5 million to EUR 235.0 million (previous year: EUR 208.6 million).

Our EBIT – operating earnings before interest and taxes – was higher in 2020 than in the previous year, despite the difficult underlying conditions and declining revenues. This rose by EUR 11.8 million or 7.6% to EUR 165.1 million (previous year: EUR 153.3 million). The operating margin achieved (EBIT in relation to sales revenues) was 4.3% (previous year: 3.6%). Cost-cutting measures introduced at short notice also contributed to this improvement in earnings. As in previous fiscal years, special effects had a significant impact on the operating result in the past fiscal year as well.

On July 30, 2020, the Management Board announced that production at the Ludwigsburg site would be phased out. This means that no new production orders will be accepted for the Ludwigsburg plant and existing production will be phased out or transferred to other locations within the MANN+HUMMEL Group.

In March 2021, an agreement was reached between the employer and the employee representatives on the restructuring plan with an end of production at the end of 2022. In addition, further measures are planned due to the consolidation of development capacities at locations outside Germany.

Also in October 2020, the Management Board announced the closure of the production site in Dillon, USA, due to the planned consolidation of the production capacities for the manufacture of filter elements at the site in Fayettville, USA. The full plant closure will be completed by mid-2021.

In addition, MANN+HUMMEL announced in November 2020 that it planned to close the production site in Wolverhampton, UK, as part of the ongoing footprint review. This closure will affect approximately 230 jobs. In total, the 2020 consolidated financial statements include expenses for severance payments of EUR 61.5 million (previous year EUR 44.9 million).

Furthermore, value adjustments on fixed assets and legal and consultancy costs associated with the measures amounting to EUR 8.3 million were taken into account.

Overall, expenses for restructuring measures amounting to EUR 69.8 million are thus included in the operating result before interest and taxes.

Additionally, the impairment test of the cash-generating units resulted in a need for write-downs in the water sector in the amount of EUR 7.5 million. No write-downs had to be taken into account in the previous year.

As a result, total extraordinary expenses of EUR 77.3 million were incurred in the 2020 fiscal year (previous year: EUR 44.9 million). Adjusted for these expenses, adjusted operating results amounted to EUR 242.4 million (previous year: EUR 198.2 million). The operating adjusted EBIT margin amounted to 6.3% (previous year: 4.7%). MANN+HUMMEL thus exceeded its forecast for the year despite crisis-related influences. Here we had assumed an EBIT margin in the mid-single-digit range.

In addition to EBIT, ROCE (Return on Capital Employed) also serves as a key performance indicator for the Group. ROCE is defined as the return on capital employed to generate the reported EBIT. The return on capital employed was 8.3% in the year under review (previous year 6.9%).

In both the past and the previous fiscal year, it was adversely affected by the aforementioned special effects. ROCE thus rose year-on-year and was only slightly below the forecast of 10% defined before the coronavirus crisis. Adjusted for the aforementioned special effects, ROCE was 11.9% (previous year: 9.0%).

The open order backlog amounts to approximately EUR 1,440 million (previous year EUR 1,032 million) or EUR 408 million (39.5% compared with the previous year).

Due to lower sales, the cost of sales and thus also the gross profit in absolute terms decreased. However, we were able to achieve a disproportionately small reduction by further efficiency improvements in production. As a result, the gross profit in percentage also improved from 23.5% in the previous year to 25.1%. In 2020, the share of sales from the higher-margin aftermarket business was higher than in the fiscal year 2019, thus also contributing to this positive performance.

Research and development costs amounted to EUR 108.1 million in the year under review (previous year EUR 134.4 million). As a percentage of sales, they decreased slightly from 3.2% in 2019 to 2.8% in 2020. The decrease compared to the previous year is mainly due to the crisis-related cost-cutting measures in all areas of research and development. However, overall expenses remain at a high level. This demonstrates the importance of investing in new technologies and the associated strategic orientation of our company in existing, and in particular, new business area.

Selling expenses also decreased in the fiscal year to EUR 400.2 million (previous year EUR 429.3 million). This decline was strongly influenced, on the one hand, by a reduction in personnel expenses and, on the other hand, by a reduction in marketing activities in response to the decline in sales revenues, particularly in the first half of the year.

In contrast, the logistics costs increased due to the general increase in freight costs. Despite declining costs, the ratio of selling expenses to sales rose from 10.2% in the previous year to 10.4% in the past fiscal year.

Compared to the previous year, the general administrative costs decreased by EUR 21.5 million from EUR 172.5 million to EUR 151.0 million. As a percentage of sales, general and administrative expenses decreased from 4.1% to 3.9%.

This is primarily due to substantial and effective cost-cutting measures in 2020, which MANN+HUMMEL was able to introduce very quickly in response to the emerging pandemic, thus ensuring adequate profitability.

Personnel costs, consulting expenses, as well as costs for training measures and travel expenses were significantly reduced.

In contrast, other operating income increased significantly. These rose to EUR 98.1 million in 2020 (previous year: EUR 53.3 million), and was mainly attributable to income from the currency conversion. A significant increase was also recorded in other operating expenses. These rose by EUR 81.7 million to

EUR 237.7 million. A major driver of this cost increase was the restructuring expenses of EUR 69.8 million in connection with the global reorganization and transformation. In addition, expenses from currency conversion were significantly higher than in the previous year. There was no offsetting against currency conversion performed in this case. In addition, other operating expenses included unscheduled amortization of intangible assets in the water segment in the amount of EUR 7.5 million resulting from the impairment test already described.

The net financial result improved from EUR – 63.8 million in the previous year to EUR – 84.9 million. As was already the case with other operating income and expenses, the effects of foreign currency conversion had a significant impact here as well. In addition, income from loans, financial assets and securities was significantly lower in the 2020 fiscal year than in the previous year.

Due to significantly lower income from securities in 2020, the income derived from securities decreased by EUR 28.6 million. The reduced discounting of pension obligations due to the further decline in interest rates also contributed to an improvement in the financial result of EUR 4.3 million.

Tax expenses fell from EUR 41.0 million in the previous year to EUR 28.0 million. This resulted, amongst other things, from the capitalization of tax loss carryforwards in Germany in the amount of EUR 39.7 million and from the recognition of tax charges on future equity distributions within the MANN+HUMMEL Group in the amount of EUR 2.4 million. Risks from ongoing external tax audits and for transfer pricing in the amount of EUR 23.0 million were taken into account in the tax expense, which resulted in an increase in expenses.

FINANCIAL POSITION OF THE MANN+HUMMEL GROUP

MANN+HUMMEL's equity ratio, taking into account the capital economically attributable to the shareholders, fell slightly from 20.8% to 20.7% in the 2020 fiscal year. In absolute terms, economic equity (sum of equity and economic capital attributable to shareholders) fell from EUR 859.6 million to EUR 797.4 million.

In connection with the crisis caused by the pandemic, MANN+HUMMEL drew on short-term credit lines of EUR 569.0 million from banks last year to ensure sufficient liquidity. These short-term drawings were repaid by the end of the fiscal year.

In addition, the Group has fully repaid the obligations due under their promissory note loan. The Group thus repaid a total of EUR 758.8 million, resulting in a net reduction of EUR 183.2 million in financial liabilities to banks.

In addition, lease liabilities of EUR 34.7 million (previous year: EUR 34.1 million) were paid.

The MANN+HUMMEL Group operates conservatively with financial instruments that have long maturities and predominantly fixed interest rates. Most of the loans taken out are denominated in euros. In addition, we have also taken out foreign currency loans in US dollars.

Most of the loans are set to mature over the next five years. Our registered notes (NSV) and individual tranches of our green notes have maturities up to 2034. The associated interest rates are predominantly fixed.

As of the balance sheet date, MANN+HUMMEL had lines of credit amounting to EUR 843 million (previous year EUR 855 million). From this amount, EUR 809 million (previous year EUR 811 million) had not been used as of the balance sheet date.

The MANN+HUMMEL Group balance sheet shows the maturity structure of liabilities to banks, broken down into long-term and short-term liabilities. The loan repayments due in 2021 have been reclassified from non-current to current liabilities in these financial statements. Due to the lower repayment in 2021, this resulted in a decrease in current financial liabilities in the balance sheet as of December 31, 2020.

Off-balance sheet commitments and contingencies have also decreased significantly compared to the previous year. This is due to a significant reduction in order commitments. Obligations arising from leasing transactions must be recognized in the balance sheet due to the application of IFRS

16 "Leases". The individual items of other financial obligations are presented under article 35 in the notes to the consolidated financial statements.

Investments in tangible assets amounted to EUR 126.3 million in the past fiscal year (previous year EUR 143.3 million), EUR 17.0 million down on the previous year. In relation to sales, the Group thus invested 3.3% (previous year 3.4%) in tangible assets. The slight decline in investments and the associated investment ratio results from a much more restrictive release of investment projects in 2020. However, investments in the Life Sciences & Environment division and the associated Chinese sites in Kunshan were also at a high level in this fiscal year. Production for the segment will be further centralized here in order to be able to accommodate planned growth.

During the year under review, there was sufficient liquidity for our investments in new customer projects. We financed them with operational cash flow.

In addition to investments in property, plant and equipment, EUR 2.9 million (previous year EUR 6.5 million) was invested in intangible assets. These mainly related to patents, licenses and capitalized development costs.

Cash Flow from operating activities improved by EUR 370.8 million year-on-year to EUR 384.7 million. The Management Board of the MANN+HUMMEL Group had already implemented extensive measures at an earlier stage of the emerging crisis caused by the pandemic in order to secure the Group's liquidity to a sufficient extent during this challenging phase. In addition to cost-cutting measures, the steps taken here also included permanent monitoring of customer payments. At EUR 80.2 million, earnings before income taxes and before changes in the economic capital attributable to shareholders were thus only EUR 9.4 million lower than in the previous year and thus again at a high level. In contrast, however, the amount for income taxes paid increased by EUR 33.2 million to EUR 68.3 million, due among other things to higher tax payments in the USA and Germany. In Germany, this cash outflow is also attributable to a tax payment made to the tax authorities as a result of an external tax audit.

The formation of the restructuring provision had a significant positive effect on operating cash flow, particularly in Germany. As these expenses have not yet been cash-effective, the increase in non-current provisions was EUR 54.7 million higher than in the previous year. Current provisions developed in the opposite direction, decreasing by EUR 22.7 million. This is particularly due to the severance payments made at the beginning of the fiscal year from the 2019 restructuring project. The change in net working capital resulted in a lower outflow of cash and cash equivalents of EUR 11.8 million compared with the previous year.

Cash flow from investment activities totaled EUR –119.5 million, up EUR 19.2 million on the previous year. In the previous year, this amounted to EUR –138.7 million. The reasons for this improvement were significantly lower investments in property, plant and equipment (EUR 36.0 million) and intangible assets (EUR 3.5 million). In total, excluding new leases, EUR 110.4 million was invested in property, plant and equipment and intangible assets in 2020.

The sale of the 60% stake in a newly established company in France in the amount of EUR 9.0 million, which was realized in 2019, also had a cash flow-reducing effect. This was a one-off situation. In contrast, EUR 1.3 million had to be transferred back to the purchaser of the investment. In addition, during the year under review various investments were acquired and capital increases were made in companies in which MANN+HUMMEL holds an investment. This involves an increase in capital at Seccua Holding AG, based in Steingaden in southern Germany, amounting to EUR 2.1 million.

In total, payments for investments in non-current financial assets amounted to EUR –8.0 million. Payments for the acquisition of consolidated companies were significantly higher than in the previous year.

Cash flow from financing activities amounted to EUR –279.3 million in 2020 (previous year: EUR –253.0 million). This was mainly due to the repayment of liabilities from existing promissory note loans. Here, MANN+HUMMEL was able to return a total of EUR 177.5 million in 2020 (previous year EUR 249.3 million).

As MANN+HUMMEL has stable and sufficient liquidity, no liquidity bottlenecks occurred in the year under review and are not expected in the future. In addition, as described above, the Group has a sufficient number of credit lines at its disposal to completely fulfill financial liabilities on their maturity.

There are no early repayment obligations. These would only arise in the event of a breach of contractual provisions, which thus involves no risk for MANN+HUMMEL.

In our view, there are currently no constraints with respect to the availability of capital.

For additional information, please refer to our disclosures in the appendix.

NET ASSET POSITION OF THE MANN+HUMMEL GROUP

The balance sheet total decreased by 6.6% or by EUR 272.7 million to EUR 3,855.0 million (previous year EUR 4,127.6 million). In general, the balance sheet in the 2020 fiscal year was significantly influenced by exchange rate effects, which reduced the balance sheet total.

Intangible assets decreased by EUR 119.8 million to EUR 885.9 million. This is mainly due to amortization from the acquisition of intangible assets from corporate acquisitions such as WIX-Filtron in 2016 or Tri-Dim Filter Corporation in the 2018 fiscal year.

In addition to investments in intangible assets such as licenses, software and similar rights, and in development costs of EUR 2.9 million, MANN+HUMMEL acquired goodwill of EUR 6.2 million and other intangible assets of EUR 15.6 million in connection with the acquisition of helsatech GmbH, Gefrees, Germany completed in 2020.

Property, plant and equipment decreased by EUR 119.6 million to EUR 970.8 million. The total investment volume in tangible assets included in this figure amounted to EUR 126.3 million (previous year EUR 143.3 million).

An important aspect for the economic success of MANN+HUMMEL is consistent inventory management and the associated implementation of adequate measures for a continuous inventory reduction. However, this is always done while ensuring full delivery capability to our customers.

Compared with the previous year, inventories were reduced by 8.3% or EUR 45.5 million to EUR 503.7 million (previous year EUR 549.2 million). Trade receivables also fell by 3.6% or EUR 24.5 million year-on-year to EUR 649.9 million. Despite high sales revenues in the fourth quarter, we were able to ensure, through effective accounts receivable management, that the receivables due on the reporting date were paid to the greatest possible extent.

The MANN+HUMMEL Group's cash and cash equivalents amounted to EUR 213.6 million in 2020 (EUR 31.8 million lower than in the previous year). This capital was used to finance current investments, payments to company owners, company acquisitions and loan repayments from current cash flow.

As part of the closure of the Ludwigsburg plant, it is planned to dispose of the associated land and buildings. For this reason, these were shown in a separate balance sheet item in the amount of EUR 12.8 million.

As of January 1, 2016, MANN+HUMMEL International GmbH & Co. KG became the ultimate parent company of the MANN+HUMMEL Group. Here, in accordance with German commercial law, there exists non-excludable termination rights for shareholders who do not fulfill the prerequisites for disclosure as shareholders' equity under the International Financial Reporting Standards (IFRS). Consequently, this item, as already in the previous year, is now shown in borrowed capital under "Capital economically attributable to the shareholders".

The equity reported in the balance sheet includes the shares of other shareholders of MANN+HUMMEL International GmbH & Co. KG during the year under review. These hold a direct interest of 16.67% in MANN+HUMMEL Holding GmbH, but without voting rights. This includes the non-controlling interests of CHANGCHUN MANN+HUMMEL FAWER FILTER

CO. LTD., Changchun/PR of China, and the US shareholder totaling EUR 123.4 million (previous year: EUR 140.5 million).

Non-current and current financial liabilities declined by EUR 224.4 million year on year to EUR 1,436.7 million. This is due, among other things, to the repayments made to the financing banks. Furthermore, the obligations from leasing transactions reported under financial liabilities due to the application of IFRS 16 for the accounting of leasing contracts decreased by a total of EUR 17.9 million.

Due to the sustained low level of interest rates, the discount factor on which the calculation of pension provisions is based was reduced from 1.05% to 0.70% for the 2020 fiscal year. Despite this change, pension obligations decreased by only EUR 4.8 million, from EUR 503.1 million to EUR 498.3 million. This can be attributed, among other things, to the changes in the financial mathematical assumptions. In fact, these led to an overall change in pension provisions of EUR –6.3 million (previous year EUR +48.4 million). And are due, among other things, to an adjustment to the option of taking an annuity in the German pension plan.

The increase in other current and non-current provisions of EUR 32.0 million is due to the recognition of provisions for restructuring measures, which increased by EUR 25.0 million compared with the previous fiscal year.

We have already addressed the respective restructuring measures. In addition, provisions for warranty risks increased by EUR 6.7 million compared with the previous year.

The long- and short-term other liabilities increased from EUR 210.4 million to EUR 224.3 million. This results, among other things, from the increase in price agreements, additional obligations from variable employee compensation and other liabilities to employees. In addition, the increase in the reporting of liabilities results from interest for income and sales tax back payments in connection with the external tax audit.

Due to the ongoing tax audit in Germany, MANN+HUMMEL has assessed the associated risk and has taken it into account in the annual financial statements as of December 31, 2020. In addition, a provision for existing transfer pricing risks was created. This resulted in an increase of EUR 9.3 million in income tax liabilities in the balance sheet as of December 31, 2020.

CONSOLIDATED BALANCE SHEET STRUCTURE

Overall, the MANN+HUMMEL Group has a stable balance sheet structure. The existing short-term financing obligations can be serviced with the existing cash and the available credit lines. The Group has an equity ratio of 20.7% (previous year: 20.8%). In addition to a further improvement in the operating margin, the focus in the coming fiscal years will be increasingly on a further reduction in net working capital, a further optimization of cash flows and, at the same time, an additional strengthening of the equity ratio.

OVERALL STATEMENT ON BUSINESS TRENDS

Despite the pandemic-related crisis, the fiscal year 2020 performed positively compared to the previous fiscal year. The operating result is above the previous year's figure for 2019, both in absolute terms and as a percentage of sales. Sustainable cost-saving measures were able to make a significant contribution here.

In this context, significant restructuring expenses and an impairment loss on intangible assets in the Life Sciences & Environment Water Solutions division in 2020 were offset by the clearly positive earnings performance.

Although the Life Sciences & Environment segment is currently still in a start-up phase, we expect significant growth in size in the coming fiscal years and, associated with this, a sustained improvement in margins and earnings.

In summary, MANN+HUMMEL can look back on a satisfactory fiscal year 2020.

DEVELOPMENT AND POSITION OF MANN+HUMMEL INTERNATIONAL GMBH & CO. KG

All subsequent figures refer to the individual financial statement of MANN+HUMMEL International GmbH & Co. KG in accordance with the accounting regulations of the German Commercial Code (HGB).

MANN+HUMMEL International GmbH & Co. KG is the parent company of the MANN+HUMMEL Group. The company, which is headquartered in Ludwigsburg, Germany, employed an average of 115 people in 2020 (previous year: 130 employees). These are mainly in the Group administrative departments Legal, Treasury, Reporting, Finance, Human Resources and Communications.

The company's main income results from its function as the parent company of the MANN+HUMMEL Group. The services plus an appropriate profit margin are charged to the domestic affiliated companies within the scope of a business, service and management contract. There is also a profit-and-loss transfer agreement with MANN+HUMMEL East European Holding GmbH.

In the 2020 fiscal year, MANN+HUMMEL International GmbH & Co. KG generated sales revenues of EUR 34.8 million (previous year: EUR 37.9 million). This primarily resulted from the invoicing of intra-group services.

Through the profit and loss transfer agreements with its Group subsidiaries, the company assumes losses of EUR 25.9 million (previous year: income of EUR 78.2 million with the distribution of MANN+HUMMEL Holding GmbH). This is due to a devaluation of an investment in MANN+HUMMEL East European Holding GmbH. Other operating expenses totaling EUR 15.9 million (previous year: EUR 14.2 million) mainly include costs for services provided by affiliated companies, business and legal consultancy costs and IT expenses.

Personnel expenses decreased by EUR 5.6 million year-on-year to EUR 17.3 million (previous year: EUR 22.9 million).

The net interest result was EUR –0.2 million (previous year: EUR –0.5 million) and includes the reduction of the discount rate for pensions as well as interest income on IC loans.

Taking into account taxes on income and earnings amounting to EUR 0.4 million (previous year: EUR –0.2 million), MANN+HUMMEL International GmbH & Co. KG posted a loss for the year of EUR 24.1 million (previous year: Profit for the year of EUR 80.8 million).

Of this amount, a loss of EUR 25.9 million was withdrawn from the special reserves (previous year: Increase in special reserves of EUR 75.6 million).

The total assets were EUR 493.8 million (previous year: EUR 503.3 million). The decrease is mainly due to the reduction in special reserves to EUR 169.0 million (previous year: EUR 201.9 million) in connection with withdrawals. Additionally, liabilities to affiliated companies in particular increased by EUR 26.6 million due to the loss transfer from MANN+HUMMEL East European Holding GmbH.

Receivables from affiliated companies fell by EUR 7.8 million to EUR 14.1 million (previous year: EUR 21.9 million). The main components here are cash pooling credit balances at MANN+HUMMEL Holding GmbH and trade receivables from MANN+HUMMEL GmbH. The other assets amount to EUR 6.6 million (previous year EUR 7.0 million) and mainly include input tax refunds.

Equity amounts to EUR 435.1 million (previous year EUR 467.9 million).

Provisions amount to EUR 20.7 million (previous year EUR 24.2 million). Pension provisions and similar commitments amount to EUR 13.9 million (previous year EUR 13.8 million). The adjustment of the actuarial interest rate for pension provisions from 2.71% to 2.30% resulted in an increase of EUR 0.7 million. The other assets amount to EUR 5.9 million (previous year EUR 9.5 million) and mainly include provisions for performance-related additional payments and indemnities.

Liabilities to affiliated companies amount to EUR 34.5 million (previous year: 7.9 million) and mainly comprise the liability from the profit transfer of MANN+HUMMEL East European Holding GmbH, VAT liabilities for the tax group, and intercompany recharges for services and costs.

In summary, sales declined in the past fiscal year – in line with our expectations. As a result of this and the slight increase in other operating expenses, earnings before financial result and taxes fell slightly. As also forecast, the financial result in 2020 also declined significantly compared to the previous year, which is due to the negative profit transfers from our subsidiaries.

For fiscal year 2021, we are also assuming that sales and earnings before net financial income, net income from investments, and taxes for MANN+HUMMEL International GmbH & Co. KG, as the ultimate parent company of the MANN+HUMMEL Group, will remain unchanged compared to the previous year.

In addition, the profit transfers of the subsidiaries and thus also the financial and investment result will stabilize again and be significantly above the previous year's level.

6. OPPORTUNITIES AND RISK REPORT

Fluctuating markets, structural changes and, above all, the massive economic impact of the coronavirus pandemic in the past fiscal year, all point to one thing: The global economic situation is in constant flux. The resulting uncertainties and fears among the population weakened consumption and thus also economic development. In addition, the strained trade relations between the US and China continue to pose a significant risk, as they affect more than just the parties mentioned. This is because: The increased tariffs on both sides have a negative impact on the entire global economy.

Internationally interwoven companies with complex supply and production chains suffer in particular from such a development. That is why at MANN+HUMMEL every business decision is made against the background of the associated risks and opportunities.

Against this background, we consider risks in our internal risk reporting as possible future events that could lead to the non-achievement of our forecasted (financial) targets. Mirroring this, we define opportunities as possible events or developments that are expected to have a positive effect on our planned (financial) targets.

As a globally operating company, we counter these risks through diversification – in other words, a diverse range of products – on the one hand, and by continuously improving our products and processes on the other.

We create opportunities by continuously enhancing our competitiveness: We continuously develop our products, expand our development expertise and drive the establishment and expansion of new markets.

Forward-looking technologies and media as well as vertical integration, digital and intelligent business models and various service solutions also open up new opportunities for us.

We have created synergy effects and new market access through acquisitions that we made in the Life Sciences & Environment segment. With such acquisitions we are preparing ourselves for this future market.

A key driver of our business is sustainability. Through our core competence in filtration, we are contributing to cleaner air, cleaner water and cleaner mobility. On this basis, we developed a strategic approach to sustainable corporate action and published it in our Corporate Responsibility Report in 2019. Our sustainability report signals our intention to consistently align our vision of "Leadership in Filtration" and our mission of "Separate the useful from the harmful" with applications in the LS&E segment in the future.

In the course of political discussions on alternative drive systems, we have identified various opportunities and risks. We are preparing for this with various scenarios and precautions.

The product portfolio in the Transportation segment is focused mainly on the drivetrain of the internal combustion engine. If alternative drives now displace these engines, there is of course a risk of losing sales and market share. We are therefore investing in the development of innovative filtration solutions for new drive systems.

This opens up opportunities for providing new products for future technologies and for tapping into this market. In addition, increased environmental awareness is also creating opportunities to offer new products outside the powertrain division. These include, for example, all products that can be categorized under the Fine Dust Eater concept: brake dust particle filters, particulate filters for vehicle interiors or stationary particulate and nitrogen oxide filter columns. These innovative products have great growth potential and should open up new market segments for us as well as gain us new customers.

RISK MANAGEMENT

MANN+HUMMEL's risk management aims to recognize all major risks for the Group at an early stage, to evaluate these and assess their consequences (including countermeasures). In order to comprehensively respond to the rapidly changing market conditions and corporate changes (e.g. establishment of plants and expansion to include the LS&E segment), the project launched in 2019 to further develop the existing risk management system was continued. In 2020, taking into account the prevailing conditions/coronavirus crisis, this project was optimized and adapted.

We assume that the further development will be continued and ultimately completed in 2021. Our risk management system is based on common standards such as COSO and ISO and is precisely adapted to MANN+HUMMEL's conditions.

The risk management of MANN+HUMMEL is integrated into the existing organization and covers all organizational units, functions and processes. It provides optimal support for all responsible parties through a company-wide planning, reporting and controlling system and precisely defines responsibilities as well as goals and processes. The risk officers are responsible for identification, evaluation, management and reporting, reassessing the risk situation annually and reporting their risk portfolio to Group Risk Management.

The organizational framework of our risk management is provided by the Group Treasury & Risk Management function. The latter reports directly to the Group Chief Financial Officer.

The Group Risk Management determines the Group's current risk portfolio on the basis of the reported information, which is made available to the Management Board and the Supervisory Board twice a year in a report with detailed explanations. This also includes the mathematical aggregation of risks at Group level. This involves aggregating similar risks and taking into account their group-wide dependency or impact in order to ensure that overarching risks are identified and managed with overarching measures. In addition, significant changes in the assessment of already known risks as well as new significant risks are reported at any time and reported to the Management Board on an ad-hoc basis.

The possible risks are classified according to two criteria: the probability of occurrence and the extent of the risk. The extent of the risk is in turn divided into five categories – classified on the basis of possible effects on the operating result within two years:

- **Existence-threatening risk** (possible costs of more than EUR 40 million (previous year: EUR 60 million)
- **Significant risk** (possible costs of up to EUR 40 million)
- **High risk** (discernible effect on business activity, possible costs of up to EUR 25 million)
- **Moderate/medium risk** (possible costs up to EUR 15 million)
- **Low risk** (possible costs incurred of up to EUR 5 million)

Due to the coronavirus crisis, the intervals of the probability of occurrence were adjusted downwards compared to the previous year, meaning that the principle of prudence was taken into account.

Risk limiting measures (mitigation measures) are also reported and evaluated. The effectiveness and the planned implementation of these measures over time are monitored by the Central Risk Management department.

The remaining risk after implementation of the measures is presented in the internal risk report as net risk.

A lower value limit of EUR 5 million is set for the reporting of risks with regard to potential negative effects in the standard process and a lower value limit of EUR 25 million is set for the ad-hoc process. Risks below these value limits are managed independently in the segments. The time frame relevant for internal risk reporting is a maximum of two years. In addition, the effects of the risks presented in the opportunities and risk report are presented as annual figures.

The assessment of the risks presented refers to November 30, 2020. At that time there were no relevant changes after the balance sheet date that would have required a different presentation of the Group's risk situation. Compared to the previous year, the risk structure of our company has not changed significantly, with the exception of current developments due to the economic crisis in connection with the novel coronavirus.

Here we have succeeded, with the help of the implementation of far-reaching measures, in counteracting sustainable risks of the emerging crisis and averting them.

Due to the full effectiveness of these measures, we currently see no further risks from the coronavirus pandemic that could have a sustained and material adverse effect on the company's performance in the future. We currently expect a noticeable recovery in 2021.

In the course of audits, the internal Audit department regularly checks the functionality of the internal risk management processes and at the same time the information transfer of relevant risks from the operating business units to Group Risk Management.

FINANCIAL RISKS

For our Group, the financial risks include exchange rate fluctuations and interest rate changes. For this reason, these currency risks are continuously and regularly monitored, assessed and hedged by derivative financial instruments, taking into account a risk limit. We generally use derivative financial instruments to cover underlying transactions resulting from the operating activity of the Group. We also continuously review the interest rate risk and minimize it by keeping the proportion of financial liabilities with long-term fixed interest rates as high as possible.

The MANN+HUMMEL Group Treasury department is responsible for limiting financing and liquidity risks. The external financing required for our business activity includes the inherent risk of having to pay higher interest expenses for future loans. In the short to medium term, however, we do not expect any interest rate adjustment risk on the market side.

Along with currency and interest risks, we regularly review the default risks of financial partners and derive appropriate measures.

The adequate provision of financial resources will be the foundation upon which MANN+HUMMEL can drive its future strategic direction.

Our financial risks are low thanks to solid financing, a stable liquidity position and sufficient reserve liquidity. With regard to our liquidity, consistent monitoring of cash is an effective risk minimization tool. We monitor receivables, liabilities and inventories on an ongoing and regular basis and are thus able to implement necessary measures to avoid risks, even at short notice.

Part of our reserve liquidity is invested in a master fund with several segments (four sub-funds and one overlay). This means that the defined return and risk parameters can always be complied with accordingly.

The investment guidelines stipulate that the sub-funds are equipped with a risk limitation system. Accordingly, one fund has a fixed lower value limit of –5% and another fund has a risk control system without a fixed lower limit. The two remaining funds are absolute return funds, which may not fall below a performance of –10% due to a corresponding risk overlay.

We monitor working capital on an ongoing basis and adjust it as necessary in line with the development of sales.

OPERATING OPPORTUNITIES AND RISKS

MARKET ENVIRONMENT

In order to be able to react quickly to a weakening or declining in economic development in relevant markets, we have defined possible scenarios in advance. We use these scenarios to draw up measures for adapting the cost level to falling sales as far as possible to prevent even greater erosion of profits. This adjustment reduces the significant market risks to an acceptable level for us.

Our continuing high dependence on the automotive industry that has evolved over the years also entails risks. We are experiencing particularly intense cost pressure in production as a Tier 1 supplier. This is partly due to the advance of alternative drives such as electric motors and concerns with regard to the end of the combustion engine. However: This risk also holds opportunities for our company. We are applying our core expertise to new business sectors to diversify our product range and thus opens up new markets.

The focus here in particular is on behavior in conformity with competition law. This is ensured by internal processes for reviewing any third-party rights.

The rapid and far-reaching changes as well as the constant transformation brought about by the digital age challenge everyone in equal measure: MANN+HUMMEL as a company, for our management and for each and every one of our employees.

We are facing new challenges, for example transportation solutions beyond the internal combustion engine, the digital transformation of the economy and society, and the growing demands for sustainable business.

But these changes also open up a host of new opportunities for us. Our core competence of filtration from more than 80 years of experience is a competitive advantage for the development of innovative products in new business areas. The best example of this is the Life Sciences & Environment segment.

Here, greater diversification also enables us to become more independent of the automotive sector and, in addition, we are opening our company up further to new technologies and innovations.

Whereas in the previous year the shortage of skilled workers was cited as the greatest difficulty facing the labor market, in 2020 the keyword was: COVID-19. This meant that this year, MANN+HUMMEL was particularly focused on the safety of its employees.

We met this challenge with active personnel management. This included, in particular, measures such as proactive and open communication, an expansion of home office regulations and the introduction of a company-wide hygiene concept at the operational sites and in the administrative areas. The reduction of overtime hours and the use of government programs (short-time work) were also part of this initiative. Despite all these measures, employees, executives and management were challenged to a special degree by the extraordinary situation.

Attracting and retaining skilled employees is an integral part of our corporate philosophy. With measures such as employee surveys regarding satisfaction and possibilities for improvement, our personnel management remained in touch with the employees and was able to support them individually.

PURCHASING

In our procurement markets, price fluctuations for raw materials and other materials are particular risks that we must take into account. We offset the risk of cost increases for the most part with long-term contracts, global, strategically diverse suppliers as well as our group-wide category management. In addition, we are constantly exposed to the risk of disruptions in supply chains. Furthermore, our Central Procurement Controlling contributes to transparency, control and risk minimization. One instrument of risk minimization is the permanent monitoring and control of our suppliers.

QUALITY

High-quality products and the satisfaction of our customers: These are central targets of our company. This is why quality problems and the ensuing customer complaints and warranty claims represent a considerable risk with consequences for the reputation and financial situation of our company.

To counter this, high quality standards are applied within the framework of the IATF 16949 certified MANN+HUMMEL Management System – for product and process development as well as for production at all of the other plants. We are already utilizing the greatest opportunity to identify and prevent by means of through balanced and conscientious planning.

Moreover, customer quality and warranty teams work closely with our customers, development departments and production plants. We thereby assure the quality of our products and can respond swiftly in the event of warranty claims.

We also cover warranty risks by setting aside appropriate financial provisions. Furthermore, we have relevant insurance cover for possible damages owing to recalls and for product liability claims.

We mainly regard the high quality of our products as an opportunity because it gives us a decisive competitive edge over other manufacturers.

INFORMATION TECHNOLOGY

The worldwide digital networking of our organization forms the basis of our Group's global presence. Fast and secure data transmission provides opportunities to continuously optimize processes and improve cooperation with customers and suppliers. However, the need for permanent availability of secure data also places high demands on our information technology. That is why there is a secondary data center in Ludwigsburg in addition to the primary one. In this way, we eliminate the high risks associated with an interruption in the data supply.

In April 2019, we began a three-year IT security project. The objective of the first phase was the establishment of a Security Operation Center (SOC) in Bangalore, India, which continued in 2020. The worldwide firewall and antivirus operations were consolidated, standardized, and transferred to the SOC. All related safety processes and operational tasks are handled by a team working in shifts and possible problems or hazards are solved directly.

In another project, MANN+HUMMEL introduced an Identity and Access Management (IAM) system. Compromised login credentials and access permissions are often a weak point in corporate networks. The IAM is used to manage the roles, access authorizations and requirements of individual users and thus protects their data effectively.

FRAUD AND BREACH OF CODE OF CONDUCT

Increasingly, investigations by the antitrust authorities are underway in many countries. This can result in penalties due to competition law infringements or other unlawful conduct. To counteract this, our company guidelines together with our Code of Conduct regulate the correct procedure with respect to antitrust issues, export control, corruption and other violations of the law. We also raise awareness of these issues among all employees worldwide through regular training. Through these trainings we cannot avoid the risk completely, but we can reduce it considerably.

In addition, process controls and corresponding guidelines serve to reduce compliance violations to a minimum. With our "Whistleblowing System", every employee also has the appropriate platform to address compliance suspicions and risks at any time.

ECONOMIC PERFORMANCE RISKS

The economic performance risks include possible damage due to operational interruptions due to loss of tangible assets.

Natural disasters, terrorist activities or other disruptions in the production facilities or within the supply chains – at customers and suppliers – can cause, as was the case in 2020, significant damage and losses. To limit these risks, we have taken out insurance coverage on a scale appropriate from a commercial perspective.

In the wake of the corona crisis, MANN+HUMMEL significantly scaled back its entire production. Plant closures were implemented to safeguard the health of employees – both at foreign operating sites and as part of the lockdown ordered by the German government. The effects were mitigated to a large extent by measures such as an extension of the home office scheme, the reduction of overtime/holiday accounts and the use of short-time working.

The corona pandemic continues to cause great uncertainty in companies, even if an easing of the situation appears possible due to the immunization that has already begun on a wide scale. In order to keep the risk for MANN+HUMMEL as low as possible, the measures initiated for this purpose will be continued and adjusted as required. Despite the existing measures, further development of the situation is difficult to assess and may have further negative effects on the company.

TAXES

As an international Group, MANN+HUMMEL operates in a large number of different country-specific tax systems. This represents a high level of complexity within the Group. Compliance with the respective tax regulations is ensured by additionally commissioned local tax advisors in the individual companies. In addition, the Group is optimizing its group-wide internal tax control system, for example in the area of indirect taxes and cross-border relations. The optimization of tax processes and the adjustment of ongoing controls form a key element in the early detection and reduction of potential tax risks. Group-wide established guidelines – for example on the transfer pricing system – are therefore continuously updated and transparently communicated to our employees worldwide. In addition, in the area of transfer pricing documentation, the Group is pursuing a group-wide approach in order to meet the increased requirements of the tax authorities worldwide.

DEFAULT BY KEY CUSTOMERS

As a Tier 1 supplier and in the aftermarket business, our company always focuses on long-term cooperation with its customers. We continuously monitor our risks and adapt our credit limits dynamically to the payment behavior and credit rating of our customers. If one of our major customers were to default, this would in all likelihood hamper the development of our Group, but would not jeopardize its future. While there remains a small risk here, we see no reason for concern at the moment.

We currently reduce such dependencies through diversification strategies and the broad spectrum of products in many different filtration markets.

OVERALL STATEMENT ON THE OPPORTUNITY AND RISK SITUATION

We continuously monitor and assess opportunities and risks in an iterative process. In this way we minimize risks and identify opportunities at an early stage. No risks that could jeopardize the future of the Group can be identified at present.

7. FORECAST REPORT

Apart from China, which was hit very early by the pandemic and also recovered from it surprisingly quickly, the other economies of the world are still in crisis mode. Although the economy bottomed out in Q2/2020, the subsequent recovery process was noticeably slowed by the second wave of infections that began in many countries. In its "World Economic Outlook Update" presented at the end of January, the IMF assumes that the economies of emerging and developed countries will not return to their pre-crisis levels until Q2/2021 and Q3/2021 respectively[1].

Germany's real gross domestic product is expected to reach 3.5% in 2021. The European Union has a somewhat higher expectation of 4.1%. Globally, all real gross domestic values are expected to increase compared to 2020, the US at 4.7%, China at 8.4%, Brazil at 2.6% and Russia at 2.3%[1].

Our forecast for the fiscal year 2021 is based on the expectation of a gradual normalization of the general economic environment, including our target markets. In particular, our expectations are based on the assumption that the global economy will be able to recover from the pandemic-related weakness of the previous year, partly due to a further increase in the availability of effective vaccines. However, there is also a potential risk this year that further local and global waves of the pandemic will weaken economic performance and thus reduce forecasts for 2021.

Due to the pandemic-related slowdown in 2020, sales, unadjusted operating profit, and ROCE, which is important for running MANN+HUMMEL, were all lower than originally planned. However, thanks to sustained cost-cutting measures, both operating profit (EBIT) and ROCE increased year-on-year. For 2021, we are now again assuming growth in all business areas of the MANN+HUMMEL Group. We expect disproportionately high growth rates in our newest business area, Life Sciences & Environment. Overall, we expect sales revenues for the entire Group to be significantly above the previous year's level.

On this basis and taking into account the restructuring measures in 2020, we also expect a moderate increase in earnings and at the same time an improvement in operating margin quality compared with the previous year. In addition, the improvement in the economic situation and the cost-cutting and restructuring measures initiated in previous years will have a positive impact on consolidated earnings.

The effects described above will also have a positive impact on the development of earnings in relation to capital employed (ROCE). ROCE for the 2020 fiscal year was approx. 9% and is expected to increase to approximately 12%.

Ludwigsburg, April 2021

MANN+HUMMEL International GmbH & Co. KG

The Management Board

Kurk Wilks	Emese Weissenbacher	Nicolaas Zerbst
CEO	EVP & CFO	COO

1 VDA Economic Barometer, VDA (Berlin), February 2021

MANN+HUMMEL CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS[1]

1 All figures are rounded. This may lead to minor discrepancies when totaling sums and when determining percentages.

CONSOLIDATED PROFIT AND LOSS STATEMENT JANUARY 1 TO DECEMBER 31, 2020

in EUR million	Notes	2020	2019
Sales	(10)	3,838.7	4,213.2
Cost of sales	(11)	2,874.8	3,221.0
Gross margin on sales		**964.0**	**992.2**
Research and development costs	(11)	108.1	134.4
Selling expenses	(11)	400.2	429.3
General administrative expenses	(11)	151.0	172.5
Other operating income	(12)	98.1	53.3
Other operating expenses	(13)	237.7	156.0
Operating profit or loss (EBIT)		**165.1**	**153.3**
Share in the result from associates		0.2	0.6
Financial expenses	(14)	185.4	147.2
Financial income	(14)	100.3	82.8
Net financial result		**– 84.9**	**– 63.8**
Net profit or loss before income tax and changes in capital economically attributable to the shareholders		**80.2**	**89.5**
Income taxes	(15)	28.0	41.0
		52.2	48.5
Changes in capital economically attributable to the shareholders		**47.0**	**49.7**
Consolidated net income		5.2	–1.2
Result attributable to non-controlling interests		5.2	–1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME JANUARY 1 TO DECEMBER 31, 2020

in EUR million	Notes	2020	2019
Consolidated net income		**5.2**	**–1.2**
thereof attributable to non-controlling interests		5.2	–1.2
Items that may be reclassified to profit/loss			
Exchange rate differences from the conversion of foreign business operations			
Exchange rate differences occurring during the fiscal year		–116.1	12.1
Equity and borrowing instruments			
Changes in fair value of financial assets available for sale		0.5	–0.2
Reclassifications to profit and loss		1.4	0.6
Cash flow hedge (currency hedging)			
Gains/losses recorded during the fiscal year		–0.1	–0.2
Income taxes attributable to these components		–0.5	–0.1
Items that will not be reclassified to profit/loss			
Revaluation of defined benefit obligations and similar commitments		6.3	–48.4
Income taxes attributable to these components		4.3	11.4
Equity and borrowing instruments			
Changes in fair value of financial assets available for sale		–2.7	0.8
Income taxes attributable to these components		0.4	0.0
Changes in other income attributable to shareholders		87.4	20.0
Other income		**–19.1**	**–3.9**
Total consolidated comprehensive income		**–13.9**	**–5.1**
thereof attributable to non-controlling interests		–13.9	–5.1

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

in EUR million	Notes	31.12.2020	31.12.2019
Assets			
Non-current assets			
Intangible assets	(17)	885.9	1,005.7
Tangible assets	(19)	970.8	1,090.3
Investments in associates	(20)	8.0	7.8
Trade receivables	(24)	0.0	0.0
Financial assets	(21)	29.6	21.1
Income tax receivables		0.2	0.4
Other assets	(22)	17.1	24.3
Deferred tax assets	(15)	103.5	86.8
		2,015.1	**2,236.4**
Current assets			
Inventories	(23)	503.7	549.2
Trade receivables	(24)	649.9	674.4
Financial assets	(25)	339.7	314.7
Income tax receivables		10.6	13.3
Other assets	(22)	109.7	94.3
Cash		213.6	245.3
		1,827.0	**1,891.2**
Non-current assets held for sale	(19)	12.8	0.0
		3,855.0	**4,127.6**

in EUR million	Notes	31.12.2020	31.12.2019
Liabilities			
Equity			
Non-controlling interests	(26)	123.4	140.5
		123.4	**140.5**
Non-current liabilities			
Capital economically attributable to the shareholders	(26)	673.9	719.1
Financial liabilities	(28)	1,112.1	1,241.2
Provisions for pensions	(32)	498.3	503.1
Other provisions	(31)	85.7	31.0
Trade payables		0.0	0.0
Other liabilities	(30)	9.0	5.5
Income tax liabilities		10.8	1.2
Deferred tax liabilities	(15)	44.6	74.9
		2,434.4	**2,576.0**
Current liabilities			
Financial liabilities	(28)	324.6	419.9
Trade payables	(29)	595.2	601.2
Other liabilities	(30)	215.3	205.0
Other provisions	(31)	127.8	150.5
Income tax liabilities		34.2	34.5
		1,297.1	**1,411.1**
		3,855.0	**4,127.6**

CONSOLIDATED CASH FLOW STATEMENT JANUARY 1 TO DECEMBER 31, 2020

in EUR million	Notes	2020	2019
1. Cash flow from operating activities			
Consolidated net income		5.2	-1.2
Changes in capital economically attributable to the shareholders		47.0	49.8
Income taxes		28.0	41.0
Net profit or loss before income tax and changes in capital economically attributable to the shareholders		**80.2**	**89.6**
Paid (–)/refunded (+) taxes on income		-68.3	-35.1
Depreciation (+) of fixed assets		238.7	233.2
Increase (+)/reduction (–) in long-term provisions		57.9	4.8
Other expenditure (+)/income (–) not affecting payments		10.4	1.2
Financial expenses (+)/financial income (–)		84.9	64.3
Increase (+)/reduction (–) in short-term provisions		-18.6	29.0
Profit (–)/loss (+) from disposal of assets		3.9	0.1
Increase (–)/reduction (+) in inventories, trade debtors and other assets		-52.6	-20.3
Increase (+)/reduction (–) in trade creditors and other liabilities		48.1	3.9
Cash flow from operating activities	(33)	**384.7**	**370.8**
2. Cash flow from investment activities			
Receipts (+) from the disposal of tangible assets		13.0	11.3
Payments (–) for investment in tangible assets		-107.3	-143.3
Receipts (+) from the disposal of intangible assets		0.1	0.1
Payments (–) for investment in intangible assets		-2.9	-6.5
Receipts (+) from the disposal of non-current financial assets		0.0	9.0
Payments (–) for investment in non-current financial assets		-8.0	-7.0
Payments (–) for the acquisition of consolidated companies, less cash and cash equivalents acquired		-18.4	-5.2
Receipts (+) from loans granted		0.0	0.0
Payments for loans granted (–)		-4.5	-5.7
Interest received (+)		8.6	8.6
Cash flow from investment activities	(33)	**-119.5**	**-138.7**
Free cash flow		**265.2**	**232.1**

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CONSOLIDATED CASH FLOW STATEMENT JANUARY 1 TO DECEMBER 31, 2020 (CONTINUED)

in EUR million	Notes	2020	2019
3. Cash flow from financing activities			
Payments (–) to company shareholders		– 10.5	– 10.1
Receipts (+) from acceptance of (financial) credits and sale of monetary financial assets		574.5	177.6
Repayment (–) of (financial) credits and payments to acquire monetary financial assets		– 758.8	– 327.0
Payments (–) from the repayment of leasing liabilities		– 34.7	– 34.1
Interest paid		– 49.8	– 59.4
Cash flow from financing activities	(33)	**– 279.3**	**– 253.0**
4. Cash funds at end of period			
Payment-effective change to cash funds (subtotal 1–3)		– 14.1	– 20.9
Changes in cash funds from exchange rate movements, valuation differences and changes in Group structure		– 17.6	4.2
Cash funds at the beginning of period		245.3	262.0
Cash funds at end of period		**213.6**	**245.3**
5. Composition of cash funds			
Cash	(33)	213.6	245.3
Composition of cash funds		**213.6**	**245.3**

CONSOLIDATED CHANGES IN EQUITY JANUARY 1 TO DECEMBER 31, 2020

							Parent Company	Non-controlling interests	Total equity
	Revenue reserves					Total other shareholders' equity	Total equity of the partners of M+H International GmbH & Co. KG		Total
in EUR million		Financial assets available for sale	Equity and borrowing instruments	Fair value measurement of cash flow hedges	Actuarial gains and losses	Difference from foreign currency translation			
As of 31.12.2018								**149.6**	**149.6**
First-time application effect of IFRS 16	-8.9						-8.9	-2.1	-11.0
Reclassification to borrowed capital	8.9						8.9		8.9
Adjusted 01.01.2019								147.5	147.5
Changes in capital economically attributable to the shareholders	51.9		0.9	-0.1	-31.0	10.2	31.9		31.9
Reclassification to borrowed capital	-51.9		-0.9	0.1	31.0	-10.2	-31.9		-31.9
Other comprehensive income								-3.9	-3.9
Consolidated net income								-1.2	-1.2
Total consolidated comprehensive income								-5.1	-5.1
Paid dividends								-1.1	-1.1
Changes to the consolidated Group								-1.8	-1.8
Other								1.0	1.0
Status as of 31.12.2019								**-140.5**	**-140.5**
Changes in capital economically attributable to the shareholders	41.0		-0.9	-0.1	9.2	-95.8	-46.6		-46.6
Reclassification to borrowed capital	-41.0		0.9	0.1	-9.2	95.8	46.6		46.6
Other income								-19.1	-19.1
Consolidated net income								5.2	5.2
Total consolidated comprehensive income								**-13.9**	**-13.9**
Paid dividends								-3.7	-3.7
Changes to the consolidated Group								0.0	0.0
Other								**0.5**	**0.5**
As of 31.12.2020								**123.4**	**123.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF MANN+HUMMEL INTERNATIONAL GMBH & CO. KG 2020

FUNDAMENTAL PRINCIPLES

1. CORPORATE STRUCTURE

MANN+HUMMEL International GmbH & Co. KG (hereinafter also referred to as "company", "parent" or "MH International Holding") has the legal form of a partnership. The company is based at Schwieberdinger Straße 126, 71636 Ludwigsburg, Germany and is registered under commercial register number HRA 730217 in the commercial register of the Stuttgart district court. The company has been the highest-level parent of the MANN+HUMMEL Group (hereinafter also "Group", "MANN+HUMMEL" or "MANN+HUMMEL Group") since January 1, 2016.

The product portfolio includes filtration solutions for automotive and industrial applications, clean indoor and outdoor air and sustainable water use.

The products manufactured by the MANN+HUMMEL Group include air filter systems, intake systems, liquid filter systems, plastic components, filter media as well as cabin air filters and industrial filters.

In the areas of process engineering, industrial applications and water filtration, we are expanding our portfolio with high-performance membranes, membrane bioreactors as well as reverse osmosis technologies. Stationary and mobile systems for the filtration of particulate matter and nitrogen dioxide further expand the product offering for improving outdoor air quality.

Increasingly, the Group is also offering digital services and intelligent solutions that meet the specific needs of our customers.

The MANN+HUMMEL Group is represented at more than 80 locations on six continents.

2. GENERAL INFORMATION

The items in the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity are listed or explained in the notes to the consolidated financial statements.

The fiscal year of MANN+HUMMEL corresponds to the calendar year. The Group currency is the euro. Unless noted otherwise, all amounts are stated in millions of euros (EUR million).

The Management Board of the company approved the consolidated financial statements for referral to the Supervisory Board on April 27, 2021.

The consolidated financial statements prepared as of December 31, 2020 and the Group status report are announced in the Federal Gazette.

The consolidated balance sheet is structured in accordance with terms. Balance sheet items are broken down into non-current and current assets or liabilities if they have a remaining term of more than one or up to one year respectively.

Assets and debts belonging to a disposal group that is classified as held for sale or assets held for sale are reported separately from the other assets and debts in the balance sheet.

The assets and debts are recognized in accordance with the historical cost convention. Excluded from this are derivative financial instruments, securities and holdings in companies that were recognized at fair value, if it can be reliably determined.

3. APPLICATION OF IFRS

As a non-publicly listed company, the business uses the option under Section 315e(3) HGB (German Commercial Code) to prepare the consolidated financial statements in accordance with the IFRS.

The consolidated financial statements are consistent with the standards and interpretations of the International Accounting Standards Board (IASB), London, valid at the end of the reporting and as applicable in the European Union (IFRS) and additionally in accordance with the commercial law regulations applicable under Section 315e(1) HGB.

4. ADJUSTMENT OF THE ACCOUNTING METHODS AS WELL AS NEW STANDARDS AND INTERPRETATIONS

The applied accounting policies correspond to the methods used in the previous year, with the following exceptions. In the current fiscal year, the following new or amended standards were applicable for the first time, which had no effect on the consolidated financial statements.

- Amendments to IFRS 16: Rental concessions in connection with COVID-19
- Amendments to IFRS 3: Definition of a business operation
- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of reference interest rates – Phase I
- Amendments to IAS 1 and IAS 8: Definition of materiality
- General: References to the framework in IFRS Standards (The amendment is effective for fiscal) years beginning on or after January 1, 2020

AMENDMENTS TO IFRS 16: RENTAL CONCESSIONS IN CONNECTION WITH COVID-19

On May 28, 2020, the IASB issued COVID-19-related rental concessions – amendment to IFRS 16 Leases (amendments to IFRS 16: Rent concessions published in connection with COVID-19). The amendments provide lessees with relief in applying the rules in IFRS 16 on accounting for lease modifications due to lease concessions as a result of the coronavirus pandemic.

As a practical expedient, a lessee may elect to stay the evaluation of whether a lessor's pandemic lease concession constitutes an amendment to the lease. A lessee that makes this choice accounts for any qualifying lease modification arising from the coronavirus pandemic lease concession in the same way as it would account for the modification under IFRS 16 if it were not a lease modification. The amendments are effective for fiscal years beginning on or after June 1, 2020. However, early application is permitted. These changes had no effect on the consolidated financial statements.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS OPERATION

The amendment to IFRS 3 Company Mergers clarifies that an integrated group of activities and assets must include at least one input of resources and one substantive process that, taken together, contribute significantly to the production of goods or services in order to qualify as a business. It is also clarified that a merger may constitute a business even if it does not include all the resource inputs and processes necessary to generate the output. These amendments did not have any impact on the consolidated financial statements, but could have an impact in future periods if the Group carries out company mergers. The amendments are effective for fiscal years beginning on or after January 1, 2020.

AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7: REFORM OF REFERENCE INTEREST RATES – PHASE I

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and measurement provide for various facilitation rules that apply to all hedging relationships directly affected by the reform of the reference interest rates. Such hedging relationships can be identified by the fact that the reform gives rise to uncertainty about the timing and/or amount of the reference rate-based cash flows from the hedged item or hedging instrument. These amendments have no effect on the consolidated financial statements, as the Group has not entered into any hedging relationships affected by them to hedge rate change risks.

AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIALITY

The amendments include a new definition of "material", according to which information is material "if, under normal circumstances, its omission, misstatement or concealment could reasonably be expected to influence the decisions made for general purposes by the primary users of financial statements that include financial information about the reporting entity." The amendments specify that materiality depends on the nature or extent of the information, either in isolation or in combination with other information, against the background of the financial statements as a whole. Incorrect information is material if, under normal circumstances, it is likely to influence the decisions taken by the principal addressees. These amendments had no effect on the consolidated financial statements and are not expected to have any effect on the Group in the future. The amendments are effective for fiscal years beginning on or after January 1, 2020.

The following new or revised standards and interpretations were published, but did not yet have to be applied on a mandatory basis for the fiscal year starting January 1, 2020 and were not applied prematurely:

IFRS 17	Insurance contracts[3;4]
Amendments to IAS 16	Property, plant and equipment: Revenue generated before an asset is in operational condition[1;3]
Amendments to IFRS 3, IAS 16, IAS 37 and annual improvement process 2018–2020	Company mergers: Reference to the framework[2;4] Property, plant and equipment: Revenue generated before an asset is in operational condition[2;4] Provisions, contingent liabilities, contingent assets: Onerous contracts – costs of fulfilling a contract[2;4]
Amendments to IAS 1	Presentation of financial statements – disclosure of accounting and measurement policies[3;4] Classification of liabilities as short-term or long-term[3;4]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	"Interest rate benchmark reform" (Phase 2)[1]
Amendments to IAS 8	"Accounting policies, changes in accounting estimates and errors" – definition of accounting estimates[3;4]

1 To be applied for fiscal years starting on or after January 1, 2021.
2 To be applied for fiscal years starting on or after January 1, 2022.
3 To be applied for fiscal years starting on or after January 1, 2023.
4 EU endorsement pending.

MANN+HUMMEL has not prematurely applied standards and interpretations which have already been issued but have not yet come into force. The Group will apply the new or amended standards and interpretations at the latest when they become mandatory following adoption by the EU. The new standards and interpretations are not expected to have any effect, or only an insignificant effect, on the MANN+HUMMEL Group.

5. CONSOLIDATED GROUP

Within the framework of the rearrangement of the corporate structure, MANN+HUMMEL International GmbH & Co. KG was established on January 1, 2016 as the managing holding company. This company holds 83.3% of the shares of MANN+HUMMEL Holding GmbH, Ludwigsburg, and as the highest-level parent company prepares the consolidated financial statements for the MANN+HUMME Group.

The consolidated financial statements include 20 (previous year 19) German and 71 (previous year 72) foreign Group companies. The consolidated Group includes, in addition to the parent, all domestic and foreign companies that the parent company controls directly or indirectly or on which it has a major influence. Subsidiaries are companies where the parent company controls the business and financial policies thanks to the actual or constructive majority of votes in order to benefit from its activities, meaning that it has the possibility to control. In addition, the parent company is exposed to fluctuating returns from its investments in holdings and has the ability to influence the returns. Associated companies are businesses where the parent company has a major influence on the business and financial policies, but which are neither subsidiaries nor joint ventures.

	01.01.2020	First-time consolidations	Deconsolidations	31.12.2020
Group companies	91	2	-2	91
of which in Germany	19	1	0	20
of which abroad	72	1	-2	71
Associates	2	0	0	2

	01.01.2019	First-time consolidations	Deconsolidations	31.12.2019
Group companies	93	3	-5	91
of which in Germany	19	0	0	19
of which abroad	74	3	-5	72
Associates	1	1	0	2

CHANGES TO THE CONSOLIDATED GROUP

COMPANY FOUNDATIONS AND FIRST-TIME INCLUSION

MANN AND HUMMEL FILTERS MOROCCO SARL AU, Casablanca, Morocco was included in the scope of consolidation in fiscal 2020, having been established in the previous year.

COMPANY ACQUISITIONS

As of September 30, 2020, 100% of the shares in helsatech GmbH, Gefrees were acquired.

With the acquisition of helsatech GmbH, the MANN+HUMMEL Group is expanding its portfolio, particularly in elastomer and activated carbon technology for special industrial applications, enabling it to position itself as a technology leader in this expanding market.

Based on the preliminary purchase price allocation, goodwill of EUR 6.2 million and net assets of EUR 12.8 million were acquired. This includes the disclosure of hidden reserves of EUR 15.6 million, which essentially comprises the takeover of the existing customer base and patents. The values will be adjusted if necessary when the purchase price allocation is completed.

Goodwill cannot be claimed for tax purposes. MANN+HUMMEL expects that the goodwill actually acquired consists of the expected synergy potentials and the know-how of the employees. The following pro forma key financial indicators represent the consolidated sales and consolidated operating profit or loss of the MANN+HUMMEL Group in such a way as if helsatech had already been acquired at the start of the 2020 fiscal year.

in EUR million	2020
Pro forma sales (Group)	3,853.4
Pro forma consolidated operating profit or loss	165.8

In fact, the acquired helsatech contributed to the Group sales and consolidated net income 2020 as follows:

in EUR million	2020
Sales (Group) since acquisition due date	4.4
Operating profit or loss since acquisition due date	–0.5

DECONSOLIDATIONS

In the current fiscal year, MANN+HUMMEL Filtration Technology UK LTD. Riverside/Great Britain was deconsolidated. A gain of EUR 0.0 million resulted from these deconsolidations. In addition, Hardy Filtration Inc., Trois Rivières, Canada, was deconsolidated as a result of a merger.

6. PRINCIPLES OF CONSOLIDATION

The capital consolidation is carried out in accordance with the purchase method. The subsidiaries are fully consolidated from the time of purchase, i.e. from the time of the parent company obtaining a controlling influence. The inclusion in the consolidated financial statements ends as soon as the parent loses its controlling influence. At the time of obtaining control, the newly measured assets and liabilities of the subsidiary as well as contingent liabilities, unless dependent on a future event, are offset against the fair value of the return consideration provided for the shares. Contingent considerations are carried as a liability at fair value.

Subsequent adjustments to contingent considerations are recognized in income. The ancillary costs incurred during the purchase are recognized as an expense at the time of being incurred.

Any debt difference remaining after capital consolidation is capitalized as goodwill and recognized under the intangible assets. The goodwill is verified for its value on the balance sheet date within the framework of an impairment test. A verification is carried out during the year if there are indications of an impairment. Negative debt differences arising during capital consolidation are recognized under other income in the consolidated profit and loss statement, unless the new audit of the valuations yields a different result.

If not all shares are purchased during a company acquisition, non-controlling interests can be applied in the amount of the pro rata newly measured net assets or at their total pro rata company value, including the business or company value made up by them. The option can be newly exercised for every company acquisition. Non-controlling interests were predominantly reported at the proportionate net assets (partial goodwill approach) and only in one case were they reported at the fair value of the shares (full goodwill approach).

In the event of a gradual purchase of shares, the already existing shares in the company to be consolidated are newly measured at the fair value at the time of obtaining control. The difference to the equity holding's carrying amount is recognized in income.

The purchase of additional shares of already pre-consolidated subsidiaries is accounted for as an equity capital transaction. In this process, the difference between the acquisition costs of the shares and the carrying amount of the non-controlling stake is offset against the revenue reserves. The effects of share sales, which do not result in the loss of control of a subsidiary, are recognized directly in equity by offsetting the capital gains or losses against revenue reserves and increasing the non-controlling interests in the amount of the pro rata net assets.

The deconsolidation of subsidiaries takes place at the time of losing control or the time of liquidation. The result of the deconsolidation is recognized in the net financial result. Remaining shares are capitalized at fair value under the investments in holdings.

Receivables, liabilities, provisions, sales revenues as well as other income and expenses between the companies included in the consolidated financial statements are consolidated. Interim profits from internal transactions that were not realized from the sale to external third parties are excluded from the calculation. Internal sureties and guarantees are eliminated.

7. FOREIGN CURRENCY CONVERSION

The conversion of the annual financial statements prepared in foreign currency of the Group companies included is carried out on the basis of the concept of the functional currency using the modified spot rate on reporting date method in euros. As the subsidiaries conduct their business independently from a financial, economic and organizational perspective, the functional currency is identical to that of the company's relevant national currency as a rule. For that reason, the expenses and income from financial statements of subsidiaries, which are prepared in a foreign currency, are converted in the consolidated financial statements at the annual average rate of exchange, while assets and liabilities are converted at the spot rate on the reporting date. The currency difference resulting from the conversion of equity at historic rates and the conversion differences resulting from the conversion of the consolidated profit and loss statement at the annual average rate of exchange are recognized in the accumulated other equity without affecting income.

In the individual financial statements, foreign currency receivables and payables are measured on first-time recognition at the rate valid on the transaction date. The balance sheet date rate is used for subsequent measurement. Currency gains and losses from the due date valuation of the trade receivables and trade payables are recognized in other income and expenses. Currency gains and losses, which are made up of financial assets and liabilities, are recognized in other financial income and financial expenses. The underlying exchange rates for the currency conversion with a major impact on the consolidated financial statements have changed in relation to the euro as follows:

	Spot rate on reporting date		Annual average rate of exchange	
	31.12.2020	**31.12.2019**	**2020**	**2019**
Argentine peso [ARS]	103.51967	67.22650	81.03728	55.11838
Brazilian real [BRL]	6.37674	4.52980	5.95662	4.41047
Renminbi yuan [CNY]	8.02697	7.81720	7.89214	7.72513
Czech koruna [CZK]	26.24500	25.41000	26.47849	25.65892
Pound sterling [GBP]	0.89870	0.85070	0.88871	0.87570
Indian rupee [INR]	89.68610	80.15800	84.78744	78.79167
Japanese yen [JPY]	126.42225	121.92800	121.74040	121.95946
South Korean won [KRW]	1,333.33333	1,297.00000	1,348.30855	1,303.52000
Mexican peso [MXN]	23.86561	21.12230	24.43578	21.57287
Russian ruble [RUB]	90.68238	69.34060	83.27435	72.11065
Singapore dollar [SGD]	1.62232	1.51068	1.57768	1.52552
Thai baht [THB]	36.87234	33.73105	35.86453	34.64091
US dollar [USD]	1.22730	1.12300	1.14479	1.11963

8. ACCOUNTING POLICIES

The financial statements of the companies included in the consolidated financial statements are prepared as of December 31 of each fiscal year in accordance with accounting policies that are standard across the Group in line with IFRS.

REALIZATION OF EXPENSE AND INCOME

Sales revenue is realized when control of delimitable goods or services transfers to the customer, i.e. when the customer is able to determine how to use the goods or services transferred and essentially to exploit the remaining benefit arising from them. The prerequisite for this is that a contract exists setting out enforceable rights and obligations and, inter alia, that the receipt of a return consideration – taking into account the creditworthiness of the customer – is likely. The sales revenue corresponds to the transaction price, to which the Group is expected to be entitled. Variable return considerations are included in the transaction price if it is highly unlikely that there will be a significant redemption of sales revenue as soon as the uncertainty relating to the variable return consideration no longer exists. The amount of the variable return consideration is determined using either the expected value method or the probably amount, depending on which value most accurately assesses the variable return consideration. If the period between the transfer of the goods or services and the time of payment exceeds twelve months and a significant benefit results from the financing for the customers or the MANN+HUMMEL Group, the return consideration is adjusted by the fair value of the money. If a contract encompasses several delimitable goods or services, the transaction price is distributed to the performance obligations on the basis of the relative individual sales prices. If individual sales prices cannot be observed directly, the Group assesses them at an appropriate level. For every performance obligation, sales revenue is realized either at a specific point in time or over a specific period of time.

Sales revenue from the sale of goods is realized at the point in time at which the control of the goods transfers to the acquiring party, generally on delivery of the goods. Invoices are issued at this time; in these, the payment conditions generally require payment within thirty days of the invoice date.

For license agreements, which grant the customer a right to use the intellectual property of the MANN+HUMMEL Group, invoices are issued in accordance with the contractual conditions; here the payment conditions generally require payment within thirty days of the invoice date.

Revenue from the provision of services is recognized on a straight-line basis over a certain period of time. Invoices are issued in accordance with the contractual conditions; in these, the payment conditions generally require payment within 30 days of the invoice date.

The cost of sales includes the cost of making the products and the initial costs of the merchandise sold. In addition to the directly attributable costs for materials and production, they also include the indirect, production-related overheads, including the depreciations on the tangible assets used and amortizations on intangible assets. The costs of sales also contain expenses from the depreciation of inventories to the lower net revenue.

The research and development costs that cannot be capitalized are recognized immediately in income.

Borrowing expenses that can be attributed directly to the purchase or production of an asset, for which a considerable amount of time is required to put it into the intended usable or sellable status, are capitalized as part of the costs of procurement or production. All other borrowing expenses are immediately recognized as expenditure.

Interest income is recognized in income at the time of generation.

Dividend income is recognized on the occurrence of the legal entitlement.

INCOME TAXES

The actual income tax receivables and income tax liabilities for the current and previous periods are measured with the sum in whose amount a refund from or a payment to the tax authorities is expected. The calculation of the amount is based on the tax rates and tax laws valid at the time of the balance sheet date.

Deferred tax assets and liabilities are formed on temporary differences between the recognition of tax rates and the IFRS carrying amounts. The deferred tax assets also include tax reduction entitlements that result from the expected use of existing loss carryforwards and tax credits in the subsequent years. The deferred taxes are determined on the basis of tax rates that apply according to the current legal situation in the individual countries at the time of realization or are expected with sufficient likelihood.

Deferred tax assets on temporary differences and on tax loss carryforwards are only recognized if there is sufficient likelihood that the resulting tax reductions will actually occur in the future.

The carrying amount of the deferred tax assets is audited on every balance sheet date and reduced to the extent to which it is no longer likely that a sufficient result to be reported for tax purposes will be available against which the deferred tax asset can be utilized at least partially. Non-recognized deferred tax assets are audited on every balance sheet date and recognized to a degree to which it has become likely that a future result to be reported for tax purposes will enable the realization of the deferred tax asset.

Furthermore, no deferred tax assets and liabilities are recognized if they result from the initial recognition of goodwill, an asset or a liability within the framework of a business case that is not a company merger and if this initial recognition influences neither the balance sheet net profit or loss before income tax nor the result to be reported for tax purposes.

Deferred taxes that relate to items that are recognized in equity capital directly are also recognized in equity capital and not in the consolidated profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset against one another if the MANN+HUMMEL Group has a claimable entitlement to offsetting the actual tax rebate claims against actual tax liabilities and these refer to income taxes of the same tax payer, which are levied by the same tax authority.

INTANGIBLE ASSETS

Acquired and internally generated intangible assets are capitalized if it is likely that a future economic benefit is associated with the use of the asset and the costs of the asset can be determined reliably.
As regards the accounting and measurement of goodwill, reference is made to the explanations of the principles of consolidation and the impairment tests.

The intangible assets, that were identified within the framework of the material company acquisitions, comprise primarily customer relationships and brand names. The fair values of the customer lists/relationships were determined using the residual value method based on corporate planning with a usage period of 6 to 15 years.

Tooling cost contributions made to suppliers are recognized if they constitute a right granted by the supplier or a remuneration to be provided for the service of the supplier. Tooling cost contributions received are written off over a period of one to six years.
Development costs are capitalized at cost given the requirements of IAS 38 if, in addition to other criteria, the technical feasibility and marketing are ensured. Furthermore, the development activities must generate a future economic benefit with sufficient likelihood. The capitalized development costs include all costs directly attributable to the development process.

Capitalized development costs are written off as planned over an expected product lifecycle of five years from the start of production.

Other intangible assets are recognized at cost and written off in linear fashion as planned, and, as with the previous year, in application of the following usage periods:

	in years
Independently developed software	4
Software – general (individual licenses)	4
Software – version change, e.g. product data management (PDM) and CAD (CATIA, ProEngineer, NX, etc.)	8
Patents	10

Intangible assets with an uncertain usage period are only available as at the balance sheet date in the form of goodwill.

TANGIBLE ASSETS

All tangible assets are subject to operational use and are measured at cost or manufacturing cost, less planned usage-related depreciation. The depreciations on the tangible assets are made using the linear method. As in the previous year, depreciation is based on the following useful lives, which are uniform throughout the Group:

	in years
Buildings	20 to 40
Components	20 to 25
Building parts	15 to 33
Outdoor facilities	20 to 33
Machines	8 to 20
Operating equipment	12 to 20
Vehicles	6 to 10
Tools	5
Machines/devices general	8 to 15
Tools and equipment	6 to 10

For machines used in multiple shifts, the depreciations are increased by shift additions accordingly.

The residual values, depreciation methods and usage periods of the assets are verified annually and adjusted as applicable.

GOVERNMENT GRANTS

Government grants are only recognized if there is sufficient security that the associated terms will be met and the grants extended. Investment subsidies are deducted from the assets in the period they occurred. Cost subsidies are recognized as earnings over the same period in which the expenses, for whose compensation they were granted, are incurred.

Standard market interest rates are used for the measurement of non-interest-bearing and low-interest-bearing loans from the state. The difference between the deducted amount and repayment amount is deferred and recognized under other liabilities. The deferred amount is dissolved over the term of the loan agreement, which largely corresponds to the usage period of the asset, and is recognized in the interest expense.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures are generally accounted for using the equity method with the pro rata equity capital and initially with the acquisition costs, including transaction costs. If there are objective indications of an impairment of the shares on the balance sheet date, an impairment test is carried out. The share of the Group in the net profit or loss for the period of the associates or joint ventures is recognized separately as part of the net financial result in the consolidated profit and loss statement. Earnings and expenses recognized directly in the equity capital of the associates or joint ventures are also recognized in equity at the MANN+HUMMEL Group and presented separately in the statement of comprehensive income. The accumulated changes after the time of purchase increase or reduce the equity holding's carrying amount of the associate/joint venture accordingly. Profits and losses from transactions between the MANN+HUMMEL Group and associates/joint ventures are eliminated in accordance with the holding share.

IMPAIRMENT TESTS

For shares in associates and joint ventures, for already used intangible assets and for assets in the tangible assets, it is verified as at the balance sheet due date whether there are any indications of a possible impairment. In the event of such indications, the value is verified (impairment test). Intangible assets not yet ready for use and intangible assets with undefined usage periods are subjected to an impairment test every year.

To carry out the impairment test, the recoverable amount is determined. This is the higher amount from the fair value of the asset or the smallest cash-generating unit less costs to sell and its value in use. The smallest units whose cash flows are forecasted within the framework of the corporate planning are defined as cash-generating units.

The fair value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. The value in use was determined as the present value of future cash flows. The future cash flows were derived from the planning of the Group. The calculation of the cash value of the estimated future cash flows is based largely on assumptions regarding future sales prices or quantities and costs, taking into account changed economic framework conditions, if applicable. Net cash flows beyond the detailed planning phase are determined by applying individual growth rates derived from the relevant market information on the basis of long-term business expectations. The planning for the divisions is based on a detailed planning period for the fiscal years 2021 to 2025.

An impairment is recognized if the recoverable amount falls below the carrying amount of the asset or the cash-generating unit.

The carrying amount of each business unit is determined by assigning the assets and liabilities, including attributable goodwill and intangible assets. An impairment must always be performed if the recoverable amount of a business unit is less than its carrying amount.

If the grounds for an impairment carried out earlier no longer apply, an addition takes place, but as a maximum at the amortized acquisition or manufacturing costs. Impairments and reversals of impairments of intangible assets and tangible assets are allocated to the functional areas of the consolidated profit and loss statement.

Goodwill from company mergers is allocated to those groups of cash-generating units that benefit from the mergers.

In accordance with IAS 36, goodwill is not written off as planned over its usage period, but is instead subject to a value test once yearly at the end of the year, in accordance with the above-described methods, which can lead to an impairment (impairment-only approach).

Impairments on goodwill are recognized if the recoverable amount of the corresponding cash-generating unit is below its carrying amount. Impairments on goodwill are reported in other expenses. An addition to goodwill is not carried out.

In order to comply with the regulations of IFRS 3 in conjunction with IAS 36 and to determine any impairments of goodwill, cash-generating units were stipulated in accordance with the internal reporting. Goodwill is therefore allocated to the business segments (= cash-generating units) Original Equipment, Aftermarket, Life Sciences & Environment – Air, and Life Sciences & Environment – Water. To audit the value, the carrying amount of each business unit is determined by assigning the assets and liabilities, including attributable goodwill and intangible assets. An impairment must always be performed if the recoverable amount of a business unit is less than its carrying amount. The recoverable amount is determined as the fair value less disposal costs or the value in use of a cash-generating unit, whichever is higher. The performed impairment tests defines the recoverable amount based on the value in use for a cash-generating unit.

FINANCIAL INSTRUMENTS

The financial assets are categorized according to IFRS 9 into three measurement categories:
(1) financial assets that are valued at amortized cost (AC),
(2) financial assets that are valued at fair value through other comprehensive income (FVOCI) and
(3) financial assets that are valued at fair value through profit or loss (FVPL).

Financial assets are classified in accordance with the underlying business model and the contractual cash flows of the financial assets. The fundamental business model of MANN+HUMMEL comprises holding financial assets in order to collect the contractual cash flows. Standard market purchases or sales of balance sheet assets are recognized on the settlement date.

Financial assets are valued at amortized cost (AC) if they correspond to the “Hold” business model and their contractual cash flows comprise exclusively payments of principal and interest.

Financial assets, the cash flows of which do not exclusively comprise payments of principal and interest, such as for example in the case of shares in investment funds and derivatives, are valued at fair value through profit or loss (FVPL). At the MANN+HUMMEL Group, equities, investment funds and derivatives not included in hedge accounting do not satisfy the cash flow characteristic criterion and are valued at fair value through profit or loss. Further information is provided under Item 36 of the Notes to the consolidated financial statements. For shareholders’ equity instruments, IFRS 9 optionally permits valuation at fair value through other comprehensive income (FVOCI). The MANN+HUMMEL Group makes use of this option to value at fair value through other comprehensive income for its investments.

The impairment model under IFRS 9 includes expectations about the future and is based on expected credit losses. The impairment model under IFRS 9 provides for three levels and is applicable to all financial assets (debt instruments) that are measured either at amortized cost or at fair value through profit or loss:

Level 1: Contains all contracts without a significant increase in credit risk since initial recognition. The impairment is measured on the basis of the expected credit losses within the next twelve months.

Level 2: Contains financial assets that have experienced an increase in the credit risk, but whose creditworthiness has not yet been impacted. The impairment is measured on the basis of the expected credit losses over the remaining lifetime. The Group considers a deterioration in rating by at least two rating grades compared to the forward rating and a rating that is no longer in the investment grade range to be an increase in credit risk.

Level 3: Contains financial assets that display objective indications of an impairment or hold a default status. A value adjustment is recognized for the expected credit losses over the entire lifetime of the financial asset, along with other qualitative information that indicates material financial difficulties on the part of the debtor.

The MANN+HUMMEL Group uses the simplified approach (loss rate approach) for trade receivables, i.e. these receivables are directly allocated to level 2. A grouping or reallocation to level 3 takes place if the rating is no longer in the investment grade range, or if there are objective indications of an impairment of creditworthiness.

MANN+HUMMEL applies a uniform impairment model that takes into consideration the probability of the failure of the business partner or of a group of comparable business partners.

This is determined using a credit risk parameter approach.

Accordingly, the expected credit loss (ECL) is determined by multiplying the credit risk parameters, exposure at default (EAD), probability of default (PD) and the loss given default (LGD). The parameters are determined so that they reflect relevant events in the past, the current situation and future-oriented information. In principle, this can be done using an economic model that contains all the information listed or by amending existing parameters so that the current economic environment and forecasts as to how it might change in the future are taken into consideration. This information encompasses macroeconomic factors, e.g. growth in gross domestic product, unemployment rate and forecasts of future economic framework conditions.

In the simplified approach for receivables, the impairment is determined using external default probabilities according to customer group. In the general approach, the determination is based on the credit ratings of the relevant business partners.

A financial instrument is derecognized, if according to an appropriate assessment it cannot be assumed that a financial asset is realizable in whole or in part, e.g. after the end of insolvency proceedings or after court decisions. Currently, insignificant modifications are made to a minor extent only. In these cases, the contract amendment does not lead to a derecognition of the asset. The difference determined between the gross carrying amount of the original and the cash value of the modified contract is recognized in income in the profit and loss statement.

Financial liabilities are, in principle, valued after first recognition using the effective interest method with the amortized acquisition costs. Profits or losses are recognized in profit and loss, during derecognition and within the framework of amortization. Financial liabilities valued at fair value through profit or loss are measured after their first recognition at their fair value. Profits or losses arising from the change in fair value are recognized in income.

HEDGE ACCOUNTING

Derivative financial instruments are used at the MANN+HUMMEL Group for hedging purposes in order to reduce currency and interest risks. According to IFRS 9, all derivative financial instruments are accounted for at market value.

Hedging relationships are presented in accordance with the hedge accounting regulations. Accounting is carried out as a cash flow hedge or a fair value hedge.

Cash flow hedges are used to hedge against risks of changes in the value of future cash flows. In the event of changes to the market value of financial instruments used within the framework of cash flow hedges, the unrealized profits and losses in the amount of the effective portion are initially recognized in the revenue reserves without an impact on income. A transfer to the consolidated profit and loss statement takes place at the same time as the impact on results from the hedged item. The non-effective portion of the changes in market value is recognized directly in the consolidated profit and loss statement.

Fair value hedges are used to hedge against risks of changes in the value of balance sheet items. In the event the criteria are fulfilled, the results from the fair value measurement of derivative financial instruments are recognized in income at the same time as the associated underlying transactions.

Effects with an impact on results arising from hedging transactions concluded to hedge against risks from commodity price changes are recognized in the cost of sales. Gains and losses from currency hedging transactions are reported in sales revenues or the financial result or are recognized as part of the acquisition costs. Profits and losses from derivative financial instruments that serve to hedge against interest-change risks and price risks from securities are recognized in the other net financial result.

INVENTORIES

Raw materials, consumables and supplies and merchandise are measured using the standard cost method, taking into account lower net realizable values at the balance sheet date. Work in progress and finished goods are recognized at cost of production in observance of lower net sales values and taking into account consumption as at the balance sheet date. Cost of production includes all costs directly attributable to the production process as well as appropriate portions of the production-related overheads. They include production-related depreciations, pro rata administration costs and pro rata expenses of the social area.

LEASING

For lessees, IFRS 16 introduced a uniform approach to the balance-sheet recognition of lease agreements, according to which assets are to be recognized in the balance sheet for the usage rights to the leased property and liabilities for the payment obligations entered into, for all leases. The rights-of-use assets are included in land, land rights and buildings, in technical equipment and in other equipment, operational and office equipment. The lease liability is reflected in the financial liabilities to third parties.

The key tenancy agreements relate to production, warehouse and office buildings as well as land plots with terms of up to 30 years. Some agreements contain price adjustment clauses that specify a fixed percentage increase annually. Some agreements contain extension options, termination options, automatic agreement extensions or purchase options.

Other lease agreements relate to the vehicle fleet, machines, hardware and software as well as other tools and equipment with terms of up to five years. For some of these agreements, extension options or automatic agreement extensions as well as options to purchase the rental properties at the end of the agreement term at market value exist. The lease rates are partly linked to the service used.

For leased property of a low value (under EUR 5,000) or for short-term leases (less than twelve months), recognition reliefs are utilized. Furthermore, the option to separate leasing and non-leasing components (service) is used. Non-leasing components are not included in the right-of-use asset to be recognized.

Assets and liabilities from leases are initially recognized at present value. The lease liabilities correspond to the present value of the following lease payments not yet made for the right to use the underlying asset:

- Fixed payments including de facto fixed (insubstance fixed) payments, less any leasing incentives to be received (lease incentive).
- Variable lease payments linked to an index or (interest rate), initially valued at the index interest (rate) at the provision period.
- Expected payments by the Group from the utilization of residual value guarantees.
- The exercise price of a call option or an extension option whose exercise or utilization by the Group is reasonably certain.
- Penalties in connection with the termination of a lease, provided that the lease term takes into account the fact that the Group will exercise the termination option in question.

The interest rate on which the lease is based is used for discounting purposes, provided that this can be determined without difficulty. Otherwise – and this is usually the case in the Group – the discount rate used is the lessee's incremental borrowing rate, i.e. the interest rate that the respective lessee would have to pay if it were required to borrow funds on a comparable scale for a comparable term with comparable security under comparable conditions.

The rights-of-use assets are measured at cost on the date of provision, which is made up as follows:

- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the provision, less any lease incentives received.
- All initial direct costs incurred by the lessee.
- Estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the lease.

The rights-of-use assets are subsequently measured at amortized cost. Depreciation is calculated using the straight-line method over the shorter of the useful life and the term of the underlying lease. If the exercise of a purchase option is sufficiently certain from the Group's perspective, the asset is depreciated over the useful life of the underlying asset.

In particular, leases for buildings and office space contain extension and termination options. The measurement of the lease liability requires an assessment of whether it is sufficiently certain that these options will be exercised. In doing so, the Group takes into account all facts and circumstances that have an influence on the exercise or non-exercise of these options.

For the disclosure of leases in the balance sheet, we refer to our comments in Notes 19, 28 and 35. In the income statement, lease expenses are shown under depreciation and amortization and other interest expenses.

The Group is exposed to possible future increases in variable lease payments that may result from changes in an index or interest (rate). These possible changes in lease payments are not included in the lease liability until they become effective. However, as soon as changes in an index or interest (rate) affect the lease payments, the lease liability is adjusted against the right of use. Lease installments are divided into principal and interest payments.

The MANN+HUMMEL Group does not act as lessor.

CASH

Cash in hand and bank balances currently available and short-term overnight cash are recognized under cash.

ASSETS HELD FOR SALE AND DISPOSAL GROUPS

Assets and liabilities are recognized as disposal groups if they are to be sold as a group in a transaction that is highly likely. Individual assets are recognized in the balance sheet as assets held for sale. The relevant assets and liabilities are reported in the balance sheet within current assets and liabilities as assets of asset groups held for sale or liabilities of disposal groups. The earnings and expenses of the affected assets and liabilities are included in the result from continued activities until sale if they do not fulfill the definition of a discontinued business unit.

On initial classification of the disposal Group, the measuring is initially carried out in accordance with the relevant IFRS standards; the resulting carrying amount of the disposal Group is then compared with the fair value less sales costs in order to determine the lower value to the applied.

FINANCIAL AND OTHER LIABILITIES

The capital economically attributable to the shareholders is shown within the non-current liabilities. In accordance with German commercial regulations, exclusive termination rights for shareholders do not arise in business partnerships like MANN+HUMMEL International GmbH & Co. KG. According to IAS 32.16, an equity instrument only exists for the most subordinate class of shareholders however if and only if a company has neither an unconditional nor a conditional obligation to deliver cash or another financial asset. On the basis of the regulations in the articles of incorporation pertaining to the compensation of shareholders, the shares in MANN+HUMMEL International GmbH & Co. KG do not meet the requirements of IAS 32.16A for the disclosure of puttable shares as equity; they are thus disclosed within non-current liabilities as “capital economically attributable to the shareholders”. Insofar as the IFRS demand a presentation of the facts under other comprehensive income, this also applies to partnerships which do not have equity according to the IFRS. Such facts are therefore not disclosed in the result of the relevant period, even for the MANN+HUMMEL Group.

The capital economically attributable to the shareholders is measured based on the fair value of the obligation. In this case, this corresponds to the pro rata carrying amount of the respective shareholder in the IFRS Group equity.

The financial and other liabilities are applied on the initial recognition at cost, which corresponds to the fair value of the return services received. Transaction costs are also taken into account in this process. Subsequently, the liabilities are evaluated with the amortized acquisition costs under application of the effective interest method. If financial liabilities have not yet been claimed, the transaction costs are deferred within other assets. Collection in income takes place within other financial expenses. Derecognition of financial liabilities and other liabilities takes place as soon as the underlying liabilities have been fulfilled, canceled or expired.

For financial guarantees given by the company, the risk of being claimed is assessed as best possible inasmuch as such exist as at the balance sheet date. In so far as their being claimed is likely, a liability in the amount of the cash outflow to be expected is recognized under financial liabilities. The application of the fair value option, financial assets and liabilities on their initial recognition in the at fair value through profit or loss category is not utilized at the MANN+HUMMEL Group as a rule.

TOOLING COST CONTRIBUTIONS RECEIVED

Tooling cost contributions received constitute the return service for rights granted to the subsidizing party or services to be provided. The subsidies are deferred as tooling cost contributions received under other liabilities. The dissolution is carried out over the project period.

OTHER PROVISIONS

Other provisions are formed if a liability toward a third party exists from a past event which will likely be claimed and the expected amount of the necessary provision amount can be reliably assessed.

When measuring the provisions from the sale area, in particular for guarantees and expected losses from open transactions, all cost components are integrated that are also capitalized in the inventories as a rule. The measurement is carried out at the amount of the best possible estimate of the expenses required to fulfill the liability on the balance sheet date. The measurement of the guarantee provisions is carried out on the basis of the guarantee expenses actually incurred, taking into account guarantee periods and periods of grace as well as sales performance of the products affected in the period considered.

The staff-related liabilities relate, in particular, to anniversary benefits and partial retirement working hours obligations. Provisions for anniversaries of years of service are determined in accordance with actuarial principles. The provisions for partial retirement working hours obligations include the amounts set aside for the pension insurance under individual or pay-scale agreements as well as the remuneration payments to be made during the release phase. The accumulation takes place pro rata from the start of the obligation.

The partial retirement working hours obligations are hedged against insolvency via a trust model. To this end, shares in a special fund were assigned to a trustee. The shares in the special fund are measured at fair value. The assets used exclusively for the fulfillment of the old-age part-time working hours obligations and removed from the access of all other creditors are offset against the provisions (plan assets). If they exceed the provision value, the excess amount is recognized in the non-current other financial assets. The earnings from the plan assets are recognized as offset against the expense from the accrued interest of the provisions in the income statement.

Long-term provisions with a remaining term of more than one year are recognized at their fulfillment amount discounted on the balance sheet due date. Discounting is carried out at an interest rate that corresponds to the risk and the maturity of the fulfillment inasmuch as the interest effect is relevant.

PENSION PROVISIONS

The provisions for pensions are formed in accordance with the projected unit credit method. In this method, not only the pensions known as at the balance sheet date and the unit credits known, but also increases in expected pensions and current withdrawals are considered. The calculation is based on actuarial expert reports taking into account current biometric calculation bases. Actuarial profits and losses are recognized in the period of being generated in the full amount in other comprehensive income. The expenses from accrued interest and the expected earnings from fund assets are offset and recognized in interest expense. All other expenses from the allocation of pension obligations are allocated to the affected functional areas in the consolidated profit and loss statement.

9. JUDGMENTS AND UNCERTAINTIES IN CONNECTION WITH ESTIMATES

The preparation of the consolidated financial statements requires that assumptions are made and estimates used that have an effect on the amount and reporting of the recognized assets and liabilities, earnings and expenses as well as the contingent liabilities. Key assumptions and estimates that are used when recognizing and measuring the balance sheet items are explained below.

When capitalizing costs of development (Item 17 of the Notes to the consolidated financial statements), assessments of the management regarding the technical feasibility and commercial viability of the development projects are included in the recognition decision. The measurement of the capitalized development costs depends on assumptions about the amount and period of the inflow of the expected future cash flow and on the discounting rates to be applied.

Some leases contain extension, termination or purchase options. The measurement of the lease liability requires an assessment of whether it is sufficiently certain that these options will be exercised. If the interest rate on which the lease is based cannot be determined, the marginal capital rate is to be used for discounting. This is derived from country-specific interest rate swaps for different maturities and adjusted by a risk premium. Long-term leases are considered over a maximum period of 15 years.

When accounting for other intangible assets and tangible assets (Items 17 and 19 of the Notes to the consolidated financial statements), assumptions and estimates largely relate to the definition of usage periods. With respect to intangible assets that are being recognized for the first time within the framework of a company acquisition (Item 5 of the Notes to the consolidated financial statements), (e.g. customer base), the fair value of these assets is determined as part of a purchase price allocation according to IFRS 3. If a market price oriented method cannot be applied, the Group shall in principle determine the fair value of the intangible assets using capital value oriented methods. The value of an asset results, in this case, from the sum of the cash values of the cash flows achievable in the future as at the measurement date. The forecast of measurement-relevant cash flows and the derivation of the capital cost rates that reflect the risk of the respective intangible asset have a significant influence on the measurement. As part of the capital value oriented method, the Group has essentially applied the relief-from-royalty method (e.g. for brand names) and the residual value method (inter alia for the customer base).

Intangible assets were identified within the framework of purchase price allocations. With respect to the newly acquired companies, these essentially include know-how and customer relationships. The fair values of the identified customer lists/relationships were determined using the residual value method and corporate planning with a usage period of 6 to 15 years. The brands were measured using the relief-from-royalty method. The expected brand sales and the expected license rates were key assumptions here. The usage period was set at 10 years.

Within the framework of the impairment tests (Item 18 of the Notes to the consolidated financial statements), assumptions and estimates are used to determine the expected future cash flow and to define the discounting rates. In particular in the area of intangible assets and liabilities, an influence on the relevant value may occur.

The assessment of the value of trade receivables (Item 24 of the Notes to consolidated financial statements) is subject to a judgment about the assessment of the future solvency of the debtors.

The determination of the fair value of the securities (Item 37 of the Notes to the consolidated financial statements) allocated to level 3 of the fair value hierarchy are based on basic data that cannot be observed in the market. The calculation carried out in accordance with the discounted cash flow method is based on estimates about the expected cash flow and discounting rates used.

The amount of the impairment expenses for financial assets (Item 37 of the Notes to the consolidated financial statements) is influenced by judgments, e.g. regarding the assessment as to whether the price losses are significant or longer-lasting and about the assessment of the issuer's credit rating.

Amounts relating to reverse factoring agreements in the balance sheet and cash flow statement are not reclassified to financial liabilities or financial cash flow on a discretionary basis (Note 29 to the consolidated financial statements).

When recognizing the deferred tax assets (Item 15 of the Notes to the consolidated financial statements), the assumptions and estimates refer to the likelihood of the expected tax reductions actually occurring in the future.

The actuarial measurement of the provisions for pensions (Item 32 of the Notes to consolidated financial statements) is carried out, in particular, on the basis of assumptions on the discounting rates, future pension performance, age deferrals and the performance of the general living expenses.

The determination of warranty provisions (Item 31 of the Notes to the consolidated financial statements) is subject to assumptions and estimates that refer to the period between time of delivery and entry of the warranty event, warranty period and period of grace as well as the future warranty charges.

The determination of long-term provisions for onerous contracts (Item 31 of the Notes to the consolidated financial statements) is subject to judgments about the interpretation of supply agreements. Significant decision-making criteria are here the binding definition of the period, quantities and prices of delivery. Provisions for restructuring measures (Note 31 to the consolidated financial statements) are recognized as soon as a formal plan is available and has been communicated to the parties concerned or implementation of the plan has begun. In addition to the scope of the planned capacity adjustments, the valuation also takes into account country- and site-specific regulations and the corresponding level of charges.

For the realization of sales, assumptions are made and discretion exercised when an assessment must be made as to whether these are sales specific to a time frame or a point in time. Furthermore, the determination of the amount of the sales revenue in the case of variable transaction prices is discretionary and is subject to certain assumptions (Items 10 and 22 of the Notes to the consolidated financial statements).

For tax risks arising from current company audits, provisions were formed insofar as the facts are sufficiently concrete and their occurrence is probable.

Further material judgments and estimates were not made. The actual values may differ from the assumptions and estimates made in individual cases. Changes are considered in income at the time of better knowledge.

At the time of preparing the annual financial statements the underlying estimates were not exposed to any significant risks, for which reason no major adjustment to the assets and liabilities recognized in the consolidated financial statements is to be expected.

HYPERINFLATION

Argentina has been classified as a hyperinflationary economy with effect from July 1, 2018. The IAS 29 regulations therefore apply to our subsidiaries in Argentina. Accordingly, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, must be stated in terms of the measuring unit current at the balance sheet date. Certain methods must be applied for the restatement of financial statements. Balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index. Monetary items are not restated, as they are already stated in the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money. Assets and liabilities linked by agreement to changes in prices, such as index linked bonds and loans, are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the balance sheet date. These items are carried at this adjusted amount in the restated balance sheet. All other assets and liabilities are non-monetary. Some non-monetary items are carried at amounts current at the balance sheet date, such as net realizable value and market value, so they are not restated. All other non-monetary assets and liabilities are restated. Most non-monetary items are carried at cost or cost less depreciation; hence they are expressed at amounts current at their date of acquisition. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the balance sheet date. Hence, tangible assets, inventories of raw materials and merchandise, goodwill, patents, trademarks and similar assets are restated from the dates of their purchase. Inventories of partly-finished and finished goods are restated from the dates on which the costs of purchase and of conversion were incurred. The restated amount of a non-monetary item is reduced accordingly when it exceeds the recoverable amount. Hence, in such cases, restated amounts of tangible assets, goodwill, patents and trademarks are reduced to recoverable amount and restated amounts of inventories are reduced to net realizable value.

All items in the profit and loss statement must be expressed in terms of the measuring unit current at the balance sheet date. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

The consolidated income statement is prepared using the cost of sales method.

10. SALES

in EUR million	2020	2019
Europe	1,830.5	1,981.5
America	1,445.6	1,634.8
Asia	516.1	537.1
Rest of the world	46.5	59.8
	3,838.7	**4,213.2**

Of the sales revenues, EUR 3,799.8 million (previous year: EUR 4,162.0 million) are accounted for by the sale of goods and EUR 38.9 million (previous year EUR 51.2 million) to the provision of services. All sales are revenue from contracts with customers.

11. COST OF SALES AND OTHER COSTS

in EUR million	2020	2019
Material costs	2,054.7	2,337.2
Personnel costs	563.4	597.5
Depreciation and amortization	153.5	161.1
Other operating expenses	103.2	125.2
	2,874.8	**3,221.0**

The research and development costs include expenses for the in-house research department and expenses for external research and development services and test activities. The activities in this area serve to develop products to generate revenues. The expenses recognized in the fiscal year for research and development amount to EUR 108.1 million (previous year EUR 134.4 million).

The selling expenses include largely expenses for outgoing logistics, advertizing and customer support as well as for commissions and licenses.

The administration costs include largely the expenses for information technology, finance and controlling, taxes, legal and for human resources.

12. OTHER OPERATING INCOME

in EUR million	2020	2019
Income from foreign currency conversion	50.6	15.8
Income from sale of tangible assets	5.1	2.9
Other	42.4	34.6
	98.1	**53.3**

13. OTHER OPERATING EXPENSES

in EUR million	2020	2019
Expenditure from restructuring	61.6	44.9
Expenditure from foreign currency conversion	58.2	15.9
Expenditure from sale of tangible assets	9.0	3.0
Guarantee expenditure	14.3	8.6
Other	94.6	83.6
	237.7	**156.0**

Other expenses include costs in connection with consulting services of EUR 18.2 million (previous year: EUR 33.8 million), expenses for provisions for onerous contracts of EUR 0.5 million (previous year: EUR 0.7 million) and expenses of EUR 5.0 million (previous year: EUR 4.3 million) arising from the derecognition of or impairment losses on receivables. It also includes impairment losses of EUR 12.2 million (previous year EUR 5.3 million) on property, plant and equipment and intangible assets.

14. NET FINANCIAL RESULT

in EUR million	2020	2019
Share in the result from associates	**0.2**	**0.6**
Accrued interest of long-term items	5.9	19.0
Distribution from "Capital economically attributable to the shareholders"	0.0	5.3
Interest and similar expenses	90.2	77.7
Currency losses	63.2	18.0
Depreciations on lending, financial assets and securities	0.1	0.2
Losses from sale of financial assets, securities and hedging transactions	26.0	27.0
Financial expenses	**185.4**	**147.2**
Interest and similar income	27.9	20.1
Currency gains	50.7	11.2
Income from lending, financial assets and securities	18.2	27.9
Income from sale of financial assets, securities and hedging transactions	3.5	23.6
Financial income	**100.3**	**82.8**
Net financial result	**–84.9**	**–63.8**

The restatement of the balance sheet and profit and loss statement of our subsidiary in Argentina due to hyperinflation had a negative effect on earnings in the amount of EUR –2.5 million (previous year EUR –3.8 million) in the fiscal year, which was recognized in the net financial result.

15. INCOME TAXES

in EUR million	2020	2019
Current tax expenses	66.1	55.8
Tax revenues previous years	–3.9	–2.5
Tax expenses previous years	15.2	–0.7
Deferred taxes from temporary differences	–68.6	20.8
Deferred taxes from loss carryforwards and tax credits	19.2	–32.6
	28.0	**41.0**

For the MANN+HUMMEL Group, a weighted Group tax rate was calculated based on the profit contributions and tax rates of the individual Group companies. The Group tax rate is 22.9% (previous year 21.8%). This income tax rate is used as the applicable tax rate for the tax reconciliation account. The tax rates applicable abroad in the fiscal year are unchanged at between 10% and 36.9% (previous year 9% and 36.9%).

The inventory of deferred tax assets and liabilities results from the following balance sheet items:

in EUR million		**31.12.2020**		**31.12.2019**
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	6.2	51.1	5.3	63.9
Tangible assets	2.0	60.7	0.7	63.4
Financial assets	1.5	8.2	2.5	5.0
Inventories	15.5	2.2	11.1	1.9
Trade receivables	2.7	0.7	5.6	0.7
Other current assets	13.8	10.1	6.4	2.1
Pension provisions	53.5	2.6	25.1	1.1
Other provisions	30.5	1.4	23.1	0.9
Short-term financial debts	49.2	32.0	5.1	1.2
Trade payables	3.1	0.7	1.5	0.0
Other liabilities	14.2	2.9	16.7	2.9
Deferred taxes related to shares in subsidiaries	0.0	3.8	0.0	6.3
Other	3.5	0.0	1.3	2.0
	195.6	**176.4**	**104.4**	**151.4**
Tax losses and tax credits carried forward	39.7		58.9	
Offsetting	-131.8	-131.8	-76.5	-76.5
	103.5	**44.6**	**86.8**	**74.9**

Deferred tax liabilities of EUR 1.2 million (previous year EUR 1.0 million) from the fair value measurement of securities and EUR 0.0 million (previous year EUR 0.0 million) from cash flow hedges are recognized directly in equity as at the balance sheet date. The recognition of the actuarial profits and losses for pension obligations directly in equity results in a deferred tax asset of EUR 22.7 million (previous year EUR 18.4 million).

In addition, all other changes, with the exception of changes due to initial consolidations, were recognized in income.

The amount for the deductible temporary differences and the tax losses and tax benefits not yet utilized, for which no deferred tax assets were recognized in the balance sheet, amount to EUR 119.6 million (previous year EUR 251.8 million). Of this figure, EUR 26.2 million (previous year EUR 14.9 million) consists of loss carryforwards, which can be utilized with a time limitation (in the period from 5 to 20 years). As regards the measurement of deferred tax assets, the expected future business performance at the time of preparing the consolidated financial statements is, as a rule, based on the corporate planning for the following three fiscal years. As at the balance sheet date, deferred tax assets of EUR 10.1 million (previous year EUR 5.5 million) were recognized for Group companies, which had suffered losses in the reporting period or the previous period.

The retained profits at foreign subsidiaries amounting to EUR 1,858.3 million (previous year EUR 1,794.4 million) should remain reinvested based on the current planning. On distribution, profits would be subject to German taxation at 5%; where applicable, foreign withholding tax would be levied. In addition, on distribution of the profits of a foreign subsidiary to a foreign intermediate holding, further income tax consequences would need to be considered. Distributions would therefore result in an additional tax burden as a rule. Determining the deferred tax liabilities attributable to the taxable temporary differences would be associated with a disproportionately high level of effort.

Reconciliation from expected to actual income tax expense recognized:

in EUR million	2020	2019
Net profit or loss before income tax and changes in capital economically attributable to the shareholders	80.2	89.5
Expected income tax expense	18.4	19.4
Tax effects due to different national tax rates and group taxation systems	-0.5	-0.1
Effects of tax rate changes	0.5	-0.3
Tax effects due to the non-application and value correction due to deferred taxes or their reversal	-9.9	-8.6
Tax effects due to permanent differences	8.4	21.7
Tax effects due to facts of past periods	11.3	5.7
Tax effects related to shares in subsidiaries	-2.4	2.5
Deductible taxes	1.8	-0.7
Other tax effects	0.4	1.4
Recognized income tax expense	**28.0**	**41.0**

16. OTHER DISCLOSURES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

The consolidated profit and loss statement includes the following material expenses:

in EUR million	2020	2019
Expenditure on raw materials, consumables, supplies and trading goods	2,057.9	2,318.9
Expenditure on purchased services	39.3	70.6
	2,097.2	**2,389.5**

The staff costs break down as follows:

in EUR million	2020	2019
Direct and indirect remuneration	794.4	831.7
Social duties and expenses for support	201.7	215.4
Expenses for provisions for pensions and similar commitments	24.4	23.7
	1,020.5	**1,070.8**

The staff costs include amounts for contribution-oriented plans in the amount of EUR 32.4 million (previous year EUR 31.2 million). The expenses included in it for state plans in the amount of EUR 30.9 million (previous year EUR 29.6 million) include predominantly the employer contributions to the pension insurance, which are included in the social dues.

The planned and extraordinary amortizations on intangible assets and tangible assets are included in the following items of the consolidated profit and loss statement:

in EUR million	2020	2019
Cost of sales	153.5	161.2
Research and development costs	7.1	7.9
Selling expenses	9.3	9.8
Administrative expenses	51.5	47.2
Other operating expenses	17.3	7.1
	238.7	**233.2**

NOTES TO THE CONSOLIDATED BALANCE SHEET

17. INTANGIBLE ASSETS

in EUR million	Goodwill	Patents, licenses, software and similar rights and values	Development costs	Down payments made	Total
Acquisition and manufacturing costs as of 01.01.2020	**739.2**	**713.5**	**6.6**	**0.0**	**1.459.3**
Exchange rate effects	-54.0	-47.2	-1.0	0.0	-102.2
Changes in consolidated Group	6.2	15.8	0.0	0.0	22.0
Additions	0.0	2.1	0.8	0.0	2.9
Transfer	0.0	1.1	12.7	0.0	13.8
Disposals	0.0	-3.3	-1.7	0.0	-5.0
Acquisition and manufacturing costs as of 31.12.2020	**691.4**	**682.0**	**17.4**	**0.0**	**1,390.8**
Accumulated depreciation as of 01.01.2020	**58.4**	**391.1**	**4.1**	**0.0**	**453.6**
Exchange rate effects	-0.5	-25.2	-0.4	0.0	-26.1
Changes in consolidated Group	0.0	0.2	0.0	0.0	0.2
Additions	0.0	70.4	3.4	0.0	73.8
Impairment	0.0	8.3	0.0	0.0	8.3
Transfer	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	-3.3	-1.6	0.0	-4.9
Accumulated depreciation as of 31.12.2020	**57.9**	**441.5**	**5.5**	**0.0**	**504.9**
Carrying amount as of 31.12.2020	**633.5**	**240.5**	**11.9**	**0.0**	**885.9**

in EUR million	Goodwill	Patents, licenses, software and similar rights and values	Development costs	Down payments made	Total
Acquisition and manufacturing costs as of 01.01.2019	**723.3**	**708.9**	**8.5**	**0.1**	**1,440.8**
Exchange rate effects	12.0	12.9	0.1	0.0	25.0
Changes in consolidated Group	3.9	1.9	0.0	0.0	5.8
Additions	0.0	4.2	2.3	0.0	6.5
Transfers	0.0	-12.1	0.8	0.0	-11.3
Disposals	0.0	-2.3	-5.1	-0.1	-7.5
Acquisition and manufacturing costs as of 31.12.2019	**739.2**	**713.5**	**6.6**	**0.0**	**1,459.3**
Accumulated depreciation as of 01.01.2019	**58.3**	**317.0**	**5.3**	**0.0**	**380.6**
Exchange rate effects	0.1	4.3	0.1	0.0	4.5
Changes in consolidated Group	0.0	0.0	0.0	0.0	0.0
Additions	0.0	72.0	1.0	0.0	73.0
Impairment	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.1	0.0	0.0	0.1
Disposals	0.0	-2.3	-2.3	0.0	-4.6
Accumulated depreciation as of 31.12.2019	**58.4**	**391.1**	**4.1**	**0.0**	**453.6**
Carrying amount as of 31.12.2019	**680.8**	**322.4**	**2.5**	**0.0**	**1,005.7**

Intangible assets in the area of patents, licenses, software and similar rights and assets include customer relationships amounting to EUR 179.9 million (previous year EUR 252.8 million), which have a remaining useful life of between 1 and 15 years.

In the context of the impairment tests performed, the value of the intangible assets acquired within the framework of company acquisitions, such as customer relationships, brands and existing technology, was also determined. In the Life Sciences & Environment – Water division, individual assets had to be written down by EUR 7.5 million in the past fiscal year.

in EUR million	31.12.2020	31.12.2019
Original Equipment	0.0	0.0
Aftermarket	0.0	0.0
Life Sciences & Environment – Air	0.0	0.0
Life Sciences & Environment – Water	-7.5	0.0
	-7.5	**0.0**

GOODWILL

The goodwill from company acquisitions is reported as follows:

in EUR million	31.12.2020	31.12.2019
Original Equipment	4.5	4.6
Aftermarket	550.7	597.5
Life Sciences & Environment – Air	78.3	78.7
Life Sciences & Environment – Water	0.0	0.0
	633.5	**680.8**

In connection with the impairment tests carried out on the cash-generating units, no need for impairment was identified for goodwill in the past fiscal year.

18. IMPAIRMENT TESTS

The goodwill included in the consolidated financial statements relates to the differences in the respective purchase prices for the newly measured net assets of the acquired business operations, which arose within the framework of the company mergers.

In each case, the goodwill is to be assigned in full to the smallest cash-generating unit.

The respective achievable amount is determined in all cases by determining the value in use, using the discounted cash flow method.

When conducting the impairment test, the Group performed various sensitivity analyses with regard to changes in the WACC or the planned sales performance that were considered possible.

This is based on cash flows from the five-year plan (2021 to 2025) prepared by the responsible management for all business segments. For the calculation of the impairment tests, assumptions were made about the sales performance, among other things. The average sales increases assumed over the detailed planning period were between 1.5% and 44.8% (previous year 2.8% and 31.8%).

To measure perpetuals, growth rates of 1.0% to 1.3% (previous year 1.0% to 1.3%) were taken as a basis. The cash flows determined were discounted at weighted capital cost rates after tax of 8.5% to 9.0% (previous year 8.8% to 9.2%); before tax, the figure was 8.7% to 9.3% (previous year 9.1% to 9.4%). The weighting of the equity capital and borrowing costs was carried out with a capital structure that was derived from a Group of comparable companies. For the determination of the equity and borrowing costs, capital market data and data of comparable companies were applied as the basis.

in %	2020		2019	
	Weighted capital costs	Growth rate	Weighted capital costs	Growth rate
Original Equipment	8.8	1.0	9.0	1.0
Aftermarket	9.0	1.3	9.2	1.3
Life Sciences & Environment – Air	8.5	1.0	8.8	1.0
Life Sciences & Environment – Water	9.0	1.0	8.9	1.0

As a result of the impairment test performed, no goodwill allocated to the various cash-generating units had to be adjusted.

The value in use of the Original Equipment cash-generating unit exceeds the carrying amount by EUR 403.9 million (previous year EUR 162.3 million). If the WACC increases by 5.8 percentage points or the sustainable EBIT margin reduces by 3.6 percentage points, the value in use corresponds to the carrying amount. As in the previous year, an increase in the WACC by 0.5 percentage points or a reduction in the sustainable EBIT margin by -0.5 percentage points would not result in any write-downs.

The value in use of the Aftermarket cash-generating unit exceeds the carrying amount by EUR 1,306.6 million (previous year EUR 973.5 million). If the WACC increases by 7.5 percentage points or the sustainable EBIT margin reduces by 7.4 percentage points, the value in use corresponds to the carrying amount. As in the previous year, an increase in the WACC by 0.5 percentage points or a reduction in the sustainable EBIT margin by -0.5 percentage points would not result in any write-downs.

In the case of the cash-generating unit Life Sciences & Environment - Air, the value in use exceeds the carrying amount by EUR 114.7 million (previous year EUR 100.3 million). If the WACC increases by 3.0 percentage points or the sustainable EBIT margin reduces by 2.7 percentage points, the value in use corresponds to the carrying amount. As in the previous year, an increase in the WACC by 0.5 percentage points or a reduction in the sustainable EBIT margin by -0.5 percentage points would not result in any write-downs.

After the write-down at the cash-generating unit Life Sciences & Environment – Water, the value in use corresponds to the carrying amount. In the previous year, the value in use exceeded the carrying amount by EUR 62.8 million. An increase in the WACC by 0.5 percentage points or a reduction in the sustainable EBIT margin by -0.5 percentage points would result in a need for write-downs of EUR 3.8 million or EUR 5.3 million (previous year EUR 0.0 million or EUR 0.0 million).

For the Original Equipment cash-generating unit, the value in use is EUR 849.2 million (previous year EUR 623.1 million) and for the Aftermarket cash-generating unit EUR 2,658.0 million (previous year EUR 2,299.3 million). For the cash-generating unit Life Sciences & Environment - Air, the value in use is EUR 305.6 million (previous year EUR 243.8 million) and for the cash-generating unit Life Sciences & Environment – Water EUR 36.1 million (previous year EUR 101.8 million).

19. TANGIBLE ASSETS AND LEASING

in EUR million	Land and buildings	Technical equipment, plant and machinery	Other equipment, operational and office equipment	Advance payments and construction in progress	Total
Acquisition and manufacturing costs as of 01.01.2019	**670.0**	**1,482.0**	**250.2**	**120.9**	**2,523.1**
Exchange rate effects	-23.1	-59.8	-9.5	-6.7	-99.1
Changes in consolidated Group	3.0	5.8	1.2	0.0	10.0
Additions	16.0	33.8	13.0	63.5	126.3
Transfers	11.7	66.5	4.2	-96.2	-13.8
Reclassification to assets held for sale	-38.1	0.0	0.0	0.0	-38.1
Disposals	-18.8	-43.6	-10.1	-0.9	-73.4
Acquisition and manufacturing costs as of 31.12.2020	**620.7**	**1,484.7**	**249.0**	**80.6**	**2,435.0**
Accumulated depreciation as of 01.01.2020	**265.0**	**1,005.3**	**161.6**	**0.9**	**1,432.8**
Exchange rate effects	-8.4	-38.7	-6.1	-0.1	-53.3
Changes in consolidated Group	0.1	2.8	0.8	0.0	3.7
Additions	34.1	92.7	25.9	0.0	152.7
Impairments	0.5	3.2	0.2	0.0	3.9
Transfers	0.3	-0.3	0.0	0.0	0.0
Reclassification to assets held for sale	-25.3	0.0	0.0	0.0	-25.3
Reversals of write-downs	0.0	0.0	0.0	0.0	0.0
Disposals	-9.0	-32.4	-8.9	0.0	-50.3
Accumulated depreciation as of 31.12.2020	**257.3**	**1,032.6**	**173.5**	**0.8**	**1,464.2**
Carrying amount as of 31.12.2020	**363.4**	**452.1**	**75.5**	**79.8**	**970.8**

in EUR million	Land and buildings	Technical equipment, plant and machinery	Other equipment, operational and office equipment	Advance payments and construction in progress	Total
Acquisition and manufacturing costs as of 01.01.2019	**544.0**	**1,403.7**	**216.8**	**116.3**	**2,280.8**
Transitional accounting from IAS 17 to IFRS 16	91.5	0.9	17.0	0.0	109.4
Exchange rate effects	3.5	10.2	0.7	0.8	15.2
Changes in consolidated Group	0.0	0.0	2.8	0.0	2.8
Additions	23.5	48.8	14.1	79.4	165.8
Transfers	8.1	62.9	5.9	-65.5	11.4
Disposals	-0.6	-44.5	-7.1	-10.1	-62.3
Acquisition and manufacturing costs as of 31.12.2019	**670.0**	**1,482.0**	**250.2**	**120.9**	**2,523.1**
Accumulated depreciation as of 01.01.2019	**235.0**	**937.4**	**145.3**	**0.0**	**1,317.7**
Transitional accounting from IAS 17 to IFRS 16	-9.4	0.0	-0.6	0.0	-10.0
Exchange rate effects	1.7	6.3	0.4	0.0	8.4
Changes in consolidated Group	0.0	0.0	0.0	0.0	0.0
Additions	40.8	89.7	27.4	0.9	158.8
Impairments	0.6	0.8	0.0	0.0	1.4
Transfers	0.0	3.2	-3.3	0.0	-0.1
Additions	-0.6	0.0	0.0	0.0	-0.6
Disposals	-3.1	-32.1	-7.6	0.0	-42.8
Accumulated depreciation as of 31.12.2019	**265.0**	**1,005.3**	**161.6**	**0.9**	**1,432.8**
Carrying amount as of 31.12.2019	**405.0**	**476.7**	**88.6**	**120.0**	**1,090.3**

The non-current assets to be sold are buildings in Ludwigsburg.

As part of the site alignment in Ludwigsburg, the above-mentioned buildings are to be sold. Talks are already underway with interested parties. Parts of the buildings are to be rented back by the buyer on a transitional basis.

No impairment loss had to be recognized in this context.

The following items relating to leases are shown in the balance sheet under tangible assets and financial liabilities:

in EUR million	31.12.2020	31.12.2019
Rights-of-use assets		
Land and buildings	95.2	112.0
Technical equipment, plant and machinery	2.1	1.0
Other equipment, operational and office equipment	12.9	14.7
	110.2	**127.7**
Lease liabilities		
Short term	26.7	33.2
Long term	98.8	110.2
	125.5	**143.4**

Additions to the rights-of-use assets during the 2020 fiscal year amounted to EUR 18.8 million.

The income statement contains the following amounts relating to leases:

in EUR million	2020	2019
Amortization of rights-of-use assets		
Land and buildings	20.2	20.8
Technical equipment, plant and machinery	0.7	0.5
Other equipment, operational and office equipment	8.6	8.5
	29.5	**29.8**
Interest expenses (included in finance expenses)	4.8	5.3

Payments for leases accounted for in accordance with IFRS 16 amounted to EUR 39.5 million in 2020. Of this amount, EUR 4.8 million was incurred for interest and EUR 34.7 million for the repayment of financial liabilities.

20. INVESTMENTS IN ASSOCIATES

The MANN+HUMMEL Group holds a share of 25% in ABC S.A., Cordoba, Argentina. The pro rata annual profit made up by the MANN+HUMMEL Group is EUR 0.2 million (previous year EUR 0.6 million).

The MANN+HUMMEL Group holds an interest of 33.3% in Thermal Control Systems Automotive, Changé, France. The MANN+HUMMEL Group's share of net loss for the year amounts to EUR –1.6 million. The company's total non-current assets amount to EUR 16.2 million and current assets to EUR 13.3 million. Provisions and liabilities amount to EUR 19.2 million.

21. NON-CURRENT FINANCIAL ASSETS

in EUR million	31.12.2020	31.12.2019
Other holdings	15.2	11.8
Other financial assets	3.3	9.3
Derivative financial instruments	11.1	0.0
	29.6	**21.1**

The change in other investments results from the increase in non-consolidated investments amounting to EUR 6.5 million. On the other hand, adjustments were made to the valuation of investments in the amount of EUR –3.1 million.

The derivative financial instruments as of December 31, 2020 were in the form of an interest currency swap, which was concluded in the context of long-term financing.

22. OTHER ASSETS

in EUR million	31.12.2020			31.12.2019		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Other assets	93.2	4.0	89.2	81.5	6.0	75.5
Contractual assets	18.2	12.9	5.3	23.0	18.0	5.0
Deferred income	13.3	0.2	13.1	12.7	0.3	12.4
Other	2.1	0.0	2.1	1.4	0.0	1.4
	126.8	**17.1**	**109.7**	**118.6**	**24.3**	**94.3**

The other assets contain predominantly sales tax refund entitlements and down payments made. The other assets do not contain any overdue amounts that are not impairments.

The MANN+HUMMEL Group has capitalized the following contractual assets from contracts with customers in accordance with IFRS 15:

in EUR million	31.12.2020			31.12.2019		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Carrying amount as of 01.01.	**23.0**	**18.0**	**5.0**	**17.6**	**12.9**	**4.7**
Exchange rate effects	–0.8	–0.6	–0.2	0.1	0.1	0.0
Additions	2.3	0.3	2.0	10.3	9.4	0.9
Consumption	–6.3	–4.8	–1.5	–5.0	–4.4	–0.6
Carrying amount as of 31.12.	**18.2**	**12.9**	**5.3**	**23**	**18**	**5**

In the fiscal year, there was no sales revenue that was realized in 2020 and based on performance obligations fulfilled in previous years. Once again, there were no costs capitalized arising from the fulfillment or initiation of contracts with customers. As before, there was no adjustment of the return considerations by the fair value of the financing component, as the period between the transfer of goods and the time of payment was less than 12 months. Furthermore, there were again no significant take-back obligations or warranty obligations exceeding the minimum period as required by law.

23. INVENTORIES

in EUR million	31.12.2020	31.12.2019
Raw materials, consumables and supplies	160.8	168.5
Unfinished products	60.3	69.2
Finished products and goods	279.6	307.7
Down payments made	3.0	3.8
	503,7	**549.2**

In the 2020 fiscal year, impairments of EUR 5.2 million were made and recognized in inventories (previous year reversal of EUR 0.3 million).

24. TRADE RECEIVABLES

In the current fiscal year, the trade receivables were EUR 649.9 million (previous year 674.4).

The value adjustments on short- and long-term receivables from deliveries and services developed as follows:

in EUR million	2020	2019
Carrying amount as of 01.01.	**12.9**	**10.7**
Exchange rate effects	–1.2	0.1
Changes in consolidated Group	0.0	0.0
Additions	7.0	4.5
Consumption	–1.7	–1.3
Reversals	–2.4	–1.1
Carrying amount as of 31.12.	**14.6**	**12.9**

In the fiscal year, trade receivables were reclassified from Level 2 to Level 3 of the impairment model in the amount of EUR 20.6 million (previous year EUR 26.5 million) and reclassified from Level 3 to Level 2 in the amount of EUR 4.8 million (previous year EUR 7.8 million).

There were no impaired financial assets for which enforcement proceedings were performed.

25. CURRENT FINANCIAL ASSETS

in EUR million	31.12.2020	31.12.2019
Derivative financial instruments	10.5	4.8
Receivables and loans	42.3	26.0
Securities	286.9	283.9
	339.7	**314.7**

The securities are equities, loans and fund units. For further information, see Item 36 of the Notes to the consolidated financial statements.

The financial assets do not contain any overdue amounts that are impaired.

26. EQUITY

TOTAL OTHER SHAREHOLDERS' EQUITY

Accumulated other equity mainly includes the following components:

Difference from foreign currency conversion

The item contains the differences from the foreign currency conversion directly in equity of financial statements of foreign subsidiaries (non-eurozone) from the time of the first-time adoption of IFRS.

Fair value measurement of securities and cash flow hedges

This item includes the effects of measuring directly in equity financial instruments and cash flow hedges after tax.

Equity instruments

This item includes the effects of measuring directly in equity investments in non-consolidated components and securities after tax.

Actuarial profits and losses

This item contains the actuarial profits and losses from pension obligations after tax recognized directly in equity.

Deferred taxes on items recognized directly in equity

in EUR million			2020			2019
	Before income taxes	Income taxes	After taxes	Before income taxes	Income taxes	After taxes
Difference from foreign currency conversion	-116.1	0.0	-116.1	12.1	0.0	12.1
Equity and borrowing instruments	-0.9	-0.1	-1.0	1.2	-0.1	1.1
Fair value measurement of cash flow hedges	-0.1	0.0	-0.1	-0.2	0.0	-0.2
Actuarial profits and losses	6.3	4.3	10.6	-48.4	11.4	-37.0
Other income	**-110.8**	**4.2**	**-106.6**	**-35.3**	**11.3**	**-24.0**

NON-CONTROLLING INTERESTS

The non-controlling interests share of equity amounted to EUR 123.4 million (previous year EUR 140.5 million).

CAPITAL ECONOMICALLY ATTRIBUTABLE TO THE SHAREHOLDERS

As the shares in MANN+HUMMEL International GmbH & Co. KG do not meet the requirements of IAS 32.16A for the disclosure of puttable shares as equity due to regulations in the partnership agreement on the compensation of shareholders, they were reported as liabilities in "Economic capital attributable to shareholders". This item amounted to EUR 673.9 million as of the end of the fiscal year (previous year EUR 719.1 million). The capital economically attributable to the shareholders is measured based on the fair value of the obligation. In this case, this corresponds to the pro rata carrying amount of the respective shareholder in the IFRS Group equity.

In the annual financial statements, prepared subject to German commercial law, of MANN+HUMMEL International GmbH & Co. KG, the equity, in the amount of EUR 435.1 million (previous year EUR 467.9 million), comprises capital shares of the limited partners and reserves.

27. CAPITAL MANAGEMENT DISCLOSURES

Group management primarily pursues the aim of ensuring stable capital backing to support the continuation of the business activities and maintain the benefit of the shareholders. To determine the ratio of the sum of capital economically attributable to the shareholders and the equity to total assets, the economic equity is used. This encompasses the balance sheet equity and the capital economically attributable to the shareholders disclosed within non-current liabilities.

	31.12.2020	31.12.2019
Capital economically attributable to the shareholders and equity in millions of euros	797.3	859.6
Capital economically attributable to the shareholders and equity relative to total assets	20.7%	20.8%

The MANN+HUMMEL Group is not subject to any charter-like capital requirements, only contractually fixed capital requirements (see Note 28).

28. FINANCIAL LIABILITIES

in EUR million	Carrying amount as of 31.12.2020			Carrying amount as of 31.12.2019		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Liabilities to banks	1,063.0	914.2	148.8	1,266.9	1,030.3	236.6
Bonds	98.5	98.5	0.0	98.4	98.4	0.0
Payables from finance leasing	125.5	98.8	26.7	143.4	110.2	33.2
Derivative financial instruments	7.1	0.1	7.0	6.8	2.3	4.5
Other	142.5	0.5	142.1	145.6	0.0	145.6
	1,436.7	**1,112.1**	**324.6**	**1,661.1**	**1,241.2**	**419.9**

The other financial liabilities consist largely of customer bonuses and exchange rate liabilities.

The decrease in other financial liabilities is due to the decline in liabilities from customer bonuses and exchange rate liabilities.

The repayment rates of the long-term loans are reported in the short-term financial liabilities. Furthermore, the liabilities that serve short-term financing are recognized in this item. The country-specific interest rate on these short-term loans ranges from 0.85% (previous year 1.83%) to 20.50% (previous year 9.26%).

The country-specific interest rate on the loans recognized in the long-term financial liabilities ranges from 0.00% (previous year 0.00%) to 5.75% (previous year 5.75%). More than 84.2% (previous year 86.0%) of the loans have fixed interest rates. The loans are predominantly due at the end of the term. Some of the loan agreements include clauses relating to the calculation of key financial indicators. One of these involves the degree of debt that is defined as the ratio of the net financial position to the EBITDA. A change to the degree of debt has an impact on the risk premium to be newly defined annually for some of the loans.

No contractual repayment obligations result based on the calculation of the key financial indicators.

29. TRADE PAYABLES

in EUR million	31.12.2020	31.12.2019
Trade payables	**595.2**	**601.2**

Trade payables include EUR 32.1 million (previous year EUR 19.2 million) for which MANN+HUMMEL has concluded reverse factoring agreements. Under these programs, suppliers can assign their receivables from MANN+HUMMEL companies to the participating banks in return for a discount and thus receive the discounted invoice amount at an earlier stage. The Group did not derecognize the reverse factoring liabilities as neither a legal release was obtained nor the liability was materially changed by entering into the agreement. The Group does not incur any additional interest for the payment of trade payables to the bank. Amounts factored by suppliers are reported under trade payables as the nature and function of the liability is the same as other trade payables. Due to the relationship to the operating business, payments to the bank continue to be reported in cash flow from operating activities.

30. OTHER LIABILITIES

in EUR million	Carrying amount as of 31.12.2020			Carrying amount as of 31.12.2019		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Staff liabilities	100.5	0.0	100.5	105.0	0.0	105.0
Down payments received	11.7	0.0	11.7	12.4	0.0	12.4
Taxes	33.5	0.0	33.5	35.3	0.1	35.2
Other	78.7	9.0	69.6	57.7	5.4	52.4
	224.4	**9.0**	**215.3**	**210.4**	**5.5**	**205.0**

The tax liabilities largely contain sales tax liabilities. Other liabilities contain, among other things, outstanding charges, accrued liabilities for legal and proceedings costs as well as license and commission liabilities.

31. OTHER PROVISIONS

in EUR million	Carrying amount as of 31.12.2020			Carrying amount as of 31.12.2019		
	Total	Of which non-current	Of which current	Total	Of which non-current	Of which current
Liabilities from the operating area	88.2	3.8	84.3	84.2	4.8	79.4
Liabilities from the staff area	104.2	79.1	25.1	73.2	24.9	48.3
Other liabilities	21.1	2.7	18.4	24.1	1.3	22.8
	213.5	**85.7**	**127.8**	**181.5**	**31.0**	**150.5**

in EUR million	01.01.2020	Exchange rate effects	Addition	Changes in consolidated Group	Accrued interest	Transfers	Offsetting plan assets	Utilization	Reversal	31.12.2020
Liabilities from the operating area	84.1	-2.6	53.4	0.1	0.0	0.1	0.0	-40.8	-6.2	88.1
Liabilities from the staff area	73.2	-1.3	88.8	0.0	0.1	0.0	-0.2	-54.1	-2.2	104.2
Other liabilities	24.2	-1.7	10.2	0.0	0.0	-0.1	0.0	-8.4	-3.1	21.1
	181.5	**-5.6**	**152.4**	**0.1**	**0.1**	**0.0**	**-0.2**	**-103.3**	**-11.5**	**213.5**

in EUR million	01.01.2019	Exchange rate effects	Addition	Changes in consoli-dated Group	Accrued interest	Transfers	Offsetting plan assets	Utilization	Reversal	31.12.2019
Liabilities from the operating area	86.5	0.5	53.5	0.0	0.0	0.0	0.0	- 51.4	- 4.9	84.2
Liabilities from the staff area	40.3	0.0	56.0	0.0	1.6	0.0	- 1.3	- 19.4	- 4.0	73.2
Other liabilities	22.2	0.3	14.3	0.0	0.0	0.0	0.0	- 8.8	- 3.8	24.1
	149.0	**0.8**	**123.8**	**0.0**	**1.6**	**0.0**	**- 1.3**	**- 79.6**	**- 12.7**	**181.5**

The provisions for obligations from the operating area predominantly include provisions for warranty obligations and for potential losses from delivery obligations as well as to a small degree provisions for proceedings risks.

The liabilities from the staff area largely contain profit sharing, restructuring measures, old-age part-time working hours agreements and anniversary expenses. The provisions for restructuring measures contain above all expenses for severance payments, which will be incurred within the framework of site closures and relocations. According to IAS 37.72 et seq., the requirements for the formation of a provision for restructuring costs (i.e. existence of a corresponding restructuring plan) are given.

The other liabilities include other individual risks and uncertain liabilities.

The short-term liabilities are expected to be consumed over the period of the next 12 months.

32. PENSION PROVISIONS

Provisions for pensions are formed for liabilities from entitlements and from current benefits and former employees of the MANN+HUMMEL Group as well as their survivors. According to legal, economic and tax circumstances of the relevant country, there are different systems of old age provisions that are based on the duration of employment and remuneration as a rule. Contribution- and benefit-oriented provision systems must be distinguished for occupational pension provision.

For defined contribution plans, the MANN+HUMMEL Group does not enter into any obligations in addition to the payment of contributions to purpose-bound funds or private pension providers.

For defined benefit plans, the obligation of the MANN+HUMMEL Group is to fulfill the promised benefits to active and former employees, while provision- and fund-financed pension systems are distinguished.

Approx. 98.7% (previous year 98%) of the defined benefit obligations of the MANN+HUMMEL Group are based on pension plans for the active and former employees of the German sites. The active employees were and are given indirect pension promises in different pension schemes. Depending on the type of the pension scheme, the promises stipulate old-age, incapacity for work and widow/widower pensions, the payment of a promised lump sum or benefits in the form of a lump sum with an annuity option. The amount of the benefits depends, in particular, on the salary and length of service of the employee.

There are no legal or regulatory minimum endowment obligations in Germany.

The main risks for the company are in the actuarial parameters, in particular the interest rate and the pension trend, the risk of long life expectancy and the development of the general cost of living (inflation).

The changes to the cash value of the defined benefit obligation and the fair value of the fund asset can be based on actuarial profits and losses. Their causes can, among other things, be changes to the calculation parameters, amendments to the articles of association regarding the risk procedure of the pension obligations and deviations between the actual and the expected income from the fund assets.

The amount of the pension obligations (entitlement cash value of the pension promises or defined benefit obligation) was calculated using actuarial methods, for which the estimates are unavoidable. In addition to the assumptions on life expectancy, fluctuation, the following assumptions have a major impact on the amount of the liability:

in %	2020	2019
Discount factor	0.70	1.05
Pensions dynamics	1.58	1.48
Pay rises	3.00	3.00

The assumptions on life expectancy are still based on the “Mortality Tables 2018 G” by Prof. Dr. Heubeck.

In the fund-financed pension system, the pension obligations resulting from the projected benefit obligation method are offset against the fund assets measured at fair value. If the pension obligations exceed the fund assets, a liability item results that is recognized in the provisions for pensions.

The pension promises have the following financing status:

in EUR million	31.12.2020	31.12.2019
Cash value of the provision-financed pension entitlements	483.0	486.2
Cash value of the fund-financed pension entitlements	56.8	56.6
Benefit cash value of the fund-financed pension entitlements	**539.8**	**542.8**
Fund assets	41.5	39.7
Net liabilities	**498.3**	**503.1**

The fund assets consist of the following:

in EUR million	31.12.2020	31.12.2019
Cash	0.0	0.0
Securities	30.5	29.2
Shareholders' equity instruments	0.0	4.8
Debt instruments	15.6	10.2
Fund shares	14.9	14.2
Other	11.0	10.5
	41.5	**39.7**

The securities are rated at prices listed in active markets.

The balance sheet performance of the projected benefit obligation of the pension promises and the fair value of the fund assets is as follows:

in EUR million	2020	2019
Opening balance of defined benefit obligations (DBO)	**542.8**	**488.4**
+/- Exchange rate effects from abroad	-1.1	0.4
+ Company acquisitions	0.0	0.0
+ Current service costs	16.4	15.4
+ Past service costs to be calculated	0.0	-0.2
+ Interest expense	6.1	8.8
- Settlements/curtailments	0.0	0.0
-/+ Actuarial gains and losses from the change in demographic assumptions	-0.1	-0.5
-/+ Actuarial gains and losses from the change in financial assumptions	25.1	51.1
-/+ Actuarial gains and losses from experience-based adjustments	-30.1	-1.0
+ Contributions from the participants of the plan	0.0	0.0
- Pension payments made	-20.2	-19.7
+/- Other changes	0.9	0.1
Closing balance of defined benefit obligations (DBO) as of 31.12.	**539.8**	**542.8**
Opening balance of fair value of fund assets	**39.7**	**35.8**
+/- Exchange rate effects from abroad	-1.0	0.5
- Settlements/curtailments	0.0	0.0
+ Expected income from the fund assets	0.6	0.8
+/- Actuarial gains and losses from the change in financial assumptions	1,2	1.2
+/- Actuarial gains and losses from experience-based adjustments	0.0	0.0
+ Contributions made by the participants of the plan	0.0	2.4
+ Contributions made by the employer to the plan	2.7	0.0
- Pension payments made	-1.8	-1.6
+/- Other changes	0.1	0.6
Fair value of fund assets as of 31.12.	**41.5**	**39.7**
Pension provisions as of 01.01.	**503.1**	**452.6**
Pension provisions as of 31.12.	**498.3**	**503.1**

The pension obligations yield expenses recognized in income from pension obligations in the amount of EUR 22.5 million (previous year EUR 23.7 million), which consist of the following components:

in EUR million	2020	2019
Current service costs	16.4	15.4
Past service costs to be calculated	0.0	–0.2
Settlements and curtailments	0.0	0.0
Accrued interest of the net liabilities	6.1	8.5
	22.5	**23.7**

With the exception of the interest portions, all components of the pension expenses recognized in income are included in the functional areas.

The actuarial gains (previous year gains) in the amount of EUR 6.3 million (previous year EUR –48.4 million) are recognized directly in the accumulated other equity.

In reality, the fund assets posted a profit of EUR 2.4 million (previous year EUR 3.4 million). The difference between the actual and the expected income of the external pension fund is recognized in equity within the framework of the actuarial profits and losses.

The contributions to external pension funds will be EUR 1.6 million in the following year, according to the best estimates. The estimate in the previous year for the 2020 fiscal year amounted to EUR 1.2 million.

The pension payments of subsequent years are as follows:

in EUR million	2020	2019
within the next fiscal year	18.0	18.0
between 2 and 5 fiscal years	89.8	85.5
between 5 and 10 fiscal years	148.3	141.2
due after more than 10 years	1,301.4	1,395.1

During calculation, the actual pension payments were presented and not only the pension components earned, i.e. the pension components to be allocated in the future have also already been considered. It was also assumed that the number of active employees remains unchanged. The same parameters were used for the other calculation assumptions as used for determining the defined benefits obligation.

The average term of the defined benefits obligations ranges between 8 and 30 years.

The effect of a change to the key assumptions on the defined benefits obligation is presented below:

	Change to pension entitlement cash value	
in EUR million	**2020**	**2019**
Discount factor		
– 1.0%-points	94.0	96.3
+ 1.0%-points	–73.8	–73.4
Pensions dynamics		
– 0.5%-points	–5.3	–4.0
+ 0.5%-points	5.8	4.2
Life expectancy		
– 1 year	–25.4	–16.9
+ 1 year	26.2	17.0

The pension obligations were newly determined for the sensitivity analysis. In this process, it was assumed that the other factors remain unchanged. When calculating the sensitivity of life expectancy, it was assumed that the average life expectancy of a 65-year-old person is shortened or extended by one year.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

33. GENERAL

In the year under review, the MANN+HUMMEL Group had at its disposal credit lines worth EUR 842.8 million (previous year EUR 854.7 million), which were not utilized in the amount of EUR 809.1 million (previous year EUR 810.5 million) as of the end of the fiscal year.

The fund considered in the consolidated cash flow statement includes cash recognized in the consolidated balance sheet, i.e. cash on hand and in bank accounts, inasmuch as the Group can dispose of these freely.

Dividends received and interest are allocated to the cash flow from investment activities. Interest and transaction costs paid to raise financial debt are reported in the cash flow from financial activities.

Within the framework of the indirect determination, the changes to balance sheet items considered are adjusted for effects from foreign currency translation and from changes to the consolidated Group in connection with the current business activities. The changes to the relevant balance sheet item can therefore not be aligned with the corresponding values on the basis of the consolidated balance sheet published.

OTHER DISCLOSURES

34. CONTINGENT LIABILITIES

For the contingent liabilities applied below at nominal rates, no provisions were formed because it is considered unlikely that they would be used:

in EUR million	31.12.2020	31.12.2019
Guarantees	1.6	1.2
Other	2.9	2.4
	4.5	**3.6**

The sureties are due in full within one year on being claimed. Other contingent liabilities relate predominantly to potential liabilities to tax authorities.

35. OTHER FINANCIAL LIABILITIES

In addition to liabilities, provisions and contingent liabilities, other financial liabilities exist from initiated investment plans and acquisition agreements.

in EUR million	31.12.2020	31.12.2019
Rental and lease obligations	12.7	10.1
Purchase obligations	12.3	62.5
	25.0	**72.6**

Leases are accounted for in accordance with IFRS 16. The rental and lease obligations are comprised of expenses for short-term leases, expenses for low-value leased assets and expenses for variable lease payments. In the fiscal year under review, expenses for short-term leases totaling EUR 7.9 million, for low-value leased assets of EUR 2.8 million and for variable lease payments of EUR 2.0 million were incurred.

Purchase commitments of EUR 8.3 million (previous year EUR 10.1 million) relate to property, plant and equipment and EUR 4.0 million (previous year EUR 2.2 million) to other services.

36. LEGAL DISPUTES

The MANN+HUMMEL Group is confronted with claims and court proceedings within the framework of its usual business activities, which relate largely to labor law, product liability and warranty law, tax law and to intellectual property. Provisions for such cases are formed in which it is likely that an obligation exists that arose from an event in the past, that can be reliably estimated and whose fulfillment will likely result in the outflow of resources with a commercial benefit. For all legal disputes pending as of December 31, 2020, a provision of EUR 3.4 million (previous year EUR 3,7 million) was formed. The Management Board of the MANN+HUMMEL Group believes that the outcome of all claims and proceedings brought against the MANN+HUMMEL Group, both individually and in aggregate, will not have any major detrimental impact on the business activities, the asset position, results of operation and the cash flow. The results of currently pending or future proceedings are nevertheless not foreseeable, for which reason expenses may be incurred due to court or official rulings or under agreement of settlements that are not covered or not fully covered by insurance and that may have major impacts on the business of the MANN+HUMMEL Group or its results.

37. DISCLOSURES ON FINANCIAL INSTRUMENTS

CARRYING AMOUNTS OF THE FINANCIAL INSTRUMENTS BY CATEGORIES

The balance sheet items for financial instruments are broken down into classes and categories. The parent company of the Group is MANN+HUMMEL International GmbH & Co. KG. Insofar as the shares in this business partnership do not meet the requirements of IAS 32.16A, these amounts which had previously been disclosed in equity were reclassified as "Capital economically attributable to the shareholders". This item was thus included in the notes to the carrying amounts of the financial instruments.

The financial assets and financial liabilities are categorized according to IFRS 9 into the following categories based on a uniform model:

- Financial assets that are valued at amortized cost (AC),
- Financial assets that are valued at fair value through other comprehensive income (FVOCI),
- Financial assets that are valued at fair value through profit or loss (FVPL),
- Financial liabilities that are valued at amortized cost (AC),
- Financial liabilities that are valued at fair value through profit or loss (FVPL).

The carrying amounts for each category are presented in the following table:

CARRYING AMOUNTS OF FINANCIAL ASSETS

31.12.2020 in EUR million	**(Amortized) acquisition costs**	**Fair value recognized directly in equity with recycling (FVOCI)**	**Fair value recognized directly in equity without recycling (FVOCI)**	**Fair value recognized in income (FVPL)**
Cash and short-term deposits	213.6			
Trade receivables	649.9			
Trade receivables (factoring)	0.0			
Other financial assets	45.4			
Securities				
of which debt instruments of the category FVOCI with recycling		137.8		
of which debt instruments of the category FVPL				67.8
of which shareholders' equity instruments of the category FVOCI without recycling			0.0	
of which shareholders' equity instruments of the category FVPL				81.3
Holdings			15.2	
Derivative financial instruments				
Part of a hedging relationship				19.2
Freestanding				2.3

CARRYING AMOUNTS OF FINANCIAL LIABILITIES

31.12.2020 in EUR million	**(Amortized) acquisition costs**	**Fair value recognized in income**
Capital economically attributable to the shareholders	673.9	
Trade payables	595.2	
Liabilities to banks	1,063.0	
Other financial liabilities	241.1	
Liabilities from leasing	125.5	
Derivative financial instruments		
Part of a hedging relationship		6.9
Freestanding		0.2

CARRYING AMOUNTS OF FINANCIAL ASSETS

31.12.2019 in EUR million	**(Amortized) acquisition costs**	**Fair value recognized directly in equity with recycling (FVOCI)**	**Fair value recognized directly in equity without recycling (FVOCI)**	**Fair value recognized in income (FVPL)**
Cash and short-term deposits	245.3			
Trade receivables	674.4			
Trade receivables (factoring)	0.0			
Other financial assets	35.2			
Securities				
of which debt instruments of the category FVOCI with recycling		144.6		
of which debt instruments of the category FVPL				61.8
of which shareholders' equity instruments of the category FVOCI without recycling			0.0	
of which shareholders' equity instruments of the category FVPL				77.5
Holdings			11.8	
Derivative financial instruments				
Part of a hedging relationship				3.5
Freestanding				1.3

CARRYING AMOUNTS OF FINANCIAL LIABILITIES

31.12.2019 in EUR million	**(Amortized) acquisition costs**	**Fair value recognized in income**
Capital economically attributable to the shareholders	719.1	
Trade payables	601.2	
Liabilities to banks	1,266.9	
Other financial liabilities	244.0	
Liabilities from leasing	143.4	
Derivative financial instruments		
Part of a hedging relationship		6.3
Freestanding		0.5

The MANN+HUMMEL Group holds its equity instruments for strategic reasons in order to expand operational business activities. The focus is not on achieving significant short-term proceeds from disposals.

In the current fiscal year, the fair value of equity instruments whose changes are reported in other comprehensive income was EUR 15.2 million (previous year EUR 11.7 million). No dividends were paid to MANN+HUMMEL companies from these holdings during the fiscal year. There were no reclassifications to other comprehensive income or dividend pay-outs from investments that were sold in the fiscal year. The fair values of the financial assets and liabilities are assigned to the three levels of the fair value hierarchy depending on the input parameters used for measurement. The rating and requirement to make reclassifications are audited on the balance sheet date. Level 1 includes the financial instruments for which prices listed on active markets are available for identical assets and liabilities. An assignment to level 2 takes place if input parameters are used for the measurement of the financial instruments that can be observed directly (for instance prices) or indirectly (derived from prices for instance) in the market. Financial instruments whose measurement is based on information that cannot be observed in the market are recognized in level 3.

Due to the short-term maturities of cash and cash equivalents, trade receivables and other short-term financial assets, their carrying amount generally corresponds to nearly the fair value at the end of the reporting period.

The market values of the non-current financial assets, trade receivables, liabilities to banks and other financial liabilities were calculated using the present value techniques. The future payments were discounted with the current maturity-congruent risk-free interest rates, plus a standard market credit risk surcharge. The allocation is made to level 2.

Financial liabilities from financial lease agreements are applied in observance of the contractual agreed interest rate. The fair value was determined in observance of the standard market interest rate (level 2).

The fair values of the financial instruments measured at fair value are allocated to the three levels of the fair value hierarchy as follows:

in EUR million				31.12.2020
	Level 1	Level 2	Level 3	Total
Assets				
Holdings	0.0	0.0	15.2	15.2
Securities				
Shares	81.3	0.0	0.0	81.3
Bonds	129.9	25.1	0.0	155.0
Fund shares	0.0	50.6	0.0	50.6
Derivative financial instruments	0.0	21.5	0.0	21.5
Liabilities				
Derivative financial instruments	0.0	7.1	0.0	7.1

in EUR million	31.12.2019			
	Level 1	Level 2	Level 3	Total
Assets				
Holdings	0.0	0.0	11.7	11.7
Securities				
Shares	77.5	0.0	0.0	77.5
Bonds	138.8	10.1	5.0	153.9
Fund shares	52.4	0.0	0.0	52.4
Derivative financial instruments	0.0	4.8	0.0	4.8
Liabilities				
Derivative financial instruments	0.0	6.8	0.0	6.8

The fair values of the financial instruments measured at amortized cost are allocated to the three levels of the fair value hierarchy as follows:

in EUR million	31.12.2020			
	Level 1	Level 2	Level 3	Total
Liabilities				
Liabilities to banks	0.0	1,077.3	0.0	1,077.3
Other financial liabilities	0.0	241.6	0.0	241.6
Leasing liabilites	0.0	125.5	0.0	125.5

in EUR million	31.12.2019			
	Level 1	Level 2	Level 3	Total
Liabilities				
Liabilities to banks	0.0	1,266.9	0.0	1,266.9
Other financial liabilities	0.0	244.0	0.0	244.0
Leasing liabilites	0.0	143.4	0.0	143.4

For level 1 securities, the fair value of the directly listed price on a market active at all times is applied. An active market is either the stock exchange of the relevant country or a comparable trading platform, where the liquidity and transparency of the underlying assets are given. An active market is characterized by the fact that largely homogenous assets are traded at publicly accessible prices and buyers and sellers willing to conclude an agreement can be found at all times as a rule, for instance securities and commodities exchanges.

Financial instruments whose prices can be derived or modeled using parameters observable in the market are rated as level 2. Observable interest rates, exchange rates or comparable instruments are stated here as examples. Interest-bearing securities with moderately time-delayed direct price listing are also included in level 2.

In the previous year, level 3 securities were variable-interest-bearing fixed-income bonds and derivatives whose liquidity was not given on the due date in the public market and were for that reason allocated to level 3. In addition, the investments were already included in the fair value hierarchy in the previous fiscal year. The market values of level 3 securities were determined on the basis of currently available information from fund managers and measurement procedures conducted internally. A significant change to the interest rate and the associated change to market prices would influence the fair value of the securities. A sale of holdings assigned to level 3 is not planned in the short term.

The performance of the securities, derivatives and holdings allocated to level 3 of the fair value hierarchy is presented in the following table:

in EUR million	2020	2019
Last revised 01.01.	**16.7**	**14.8**
Fair value changes recognized directly in equity	–3.1	0.9
Price gains/losses	0.0	0.0
Purchases	6.6	8.5
Sales	–2.0	–4.3
Changes to the consolidated group	0.0	0.0
Restructuring in level 3	–3.0	–3.2
Reclassification of plan assets	0.0	0.0
Last revised 31.12.	**15.2**	**16.7**

The corresponding financial assets were reclassified from Level 3 due to the higher number of price quotations in active markets.

Other profits and losses are recognized in other financial income and financial expenses.

Derivative financial instruments in level 1 are tradable derivatives, such as futures. Their fair value corresponds to the value on the traded futures exchange.

The level 2 derivative financial instruments are non-tradable derivatives. The determination of the fair values is carried out on the basis of prices of permitted stock exchanges discounted on the remaining maturity (exchange rates, interest rates and commodities price indices).

NET PROFITS AND LOSSES BY MEASUREMENT CATEGORIES

in EUR million	Total net profits and losses
2020	
Assets at (amortized) acquisition costs	–38.5
Liabilities (amortized) acquisition costs	–22.7
Shareholders' equity instruments of the category FVOCI without recycling	0.0
Shareholders' equity instruments of the category FVPL	2.3
FVOCI debt instruments with recycling	1.4
Debt instruments FVPL	0.0
Derivative financial assets with hedge relationships (FVPL)	–1.7
Derivative financial liabilities with hedge relationships (FVPL)	0.2
	–59.0

in EUR million	Total net profits and losses
2019	
Assets at (amortized) acquisition costs	–38.0
Liabilities (amortized) acquisition costs	–20.1
Shareholders' equity instruments of the category FVOCI without recycling	0.0
Shareholders' equity instruments of the category FVPL	10.2
FVOCI debt instruments with recycling	1.9
Debt instruments FVPL	0.6
Derivative financial assets with hedge relationships (FVPL)	1.0
Derivative financial liabilities with hedge relationships (FVPL)	0.1
	–44.3

Other net profits and losses of assets at amortized cost and liabilities at amortized cost largely include currency gains and losses from foreign currency receivables, costs resulting from impairments on trade receivables as well as interest expenses.

Other net profits and losses in the measurement category “Debt instruments of the category FVOCI with recycling” are the offsetting of the realized profits and losses from the disposal of such assets, reduced by the unrealized changes already recognized for this in the equity, and the unrealized profits or losses of the existing assets recognized in equity in the current fiscal year. This also includes the currency profits and losses.

Other net profits and losses in the measurement category “Holdings FVOCI without recycling” include predominantly impairments of the investees on the fair value within equity.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Below are the financial assets and liabilities, the settlement agreements, claimable global settlement agreements and similar agreements:

in EUR million			31.12.2020
	Gross amount	Offsetting	Net amount
Trade receivables	649.9	0.0	649.9
Trade payables	595.2	0.0	595.2

in EUR million			31.12.2019
	Gross amount	Offsetting	Net amount
Trade receivables	682.4	8.0	674.4
Trade payables	609.2	8.0	601.2

The master agreements for financial futures contracts concluded with our banks stipulate, among otherthings, that in the event of the insolvency of a contracting party, the existing contracts must be terminated and settled at the respective market value. If several transactions are settled for one contractual partner, positive and negative market values are netted and only the remaining peak is settled. As of December 31, 2020, the following nettable amounts existed:

in EUR million			31.12.2020
	Balance sheet value	Offsetting	Net amount
Derivative assets	21.5	2.8	18.7
Derivative liabilities	7.1	2.8	4.3

in EUR million			31.12.2019
	Balance sheet value	Offsetting	Net amount
Derivative assets	4.8	3.1	1.7
Derivative liabilities	6.8	3.1	3.7

38. RISKS FROM FINANCIAL INSTRUMENTS

MANAGEMENT OF FINANCIAL RISKS

The risk management system of the MANN+HUMMEL Group covers, among other things the contractor and default risks with customers, banks and suppliers, liquidity, raw material and interest rate change risks and currency risks.

The measurement of the price risk from securities and the currency risk is carried out on the basis of a value-at-risk analysis. The value at risk specifies exclusively the potential risk of loss that is not exceeded with a set likelihood within a defined period (holding period). However, the method does not provide any information on the time of occurrence or the expected amount of loss in the event that the value at risk is exceeded. As a result, the actual performance may differ from the result of the value-at-risk analysis.

The companies of the MANN+HUMMEL Group assure their interest rate change and currency risks at market-compliant terms either via the cash management of the MANN+HUMMEL Group or directly with banks. Original transactions, such as loans with long-term fixed interest rate, but also – in particular in the currency area – derivative financial instruments with plain vanilla character. They are concluded exclusively to hedge existing underlying transactions or planned transactions.

The risk positions of the cash management are hedged externally at banks with impeccable credit ratings, taking into account set risk limits. Hedging transactions are concluded in accordance with policies applicable across the Group and in accordance with the regulations applicable for banks to conduct trading.

DEFAULT AND CONTRACTOR RISK

The default risk is the risk that contracting parties fail to fulfill their payment obligations in the area of cash investments, financial assets and the trade receivables.

To reduce the contractor risk for cash investments, all financial transactions are only conducted with top-rate credit rating within the framework of defined limits.

In the event of the contractor defaulting, the financial assets of the Group result in a maximum default risk in the amount of the carrying amount of the corresponding balance sheet item without taking into account collaterals received (plus the maximum utilization for any financial guarantees and credit promises for third parties).

To reduce the default risk, the credit rating of the customers with whom the transactions were concluded on a loan basis and our receivables are subjected to an ongoing audit. Default risks are selectively reduced with corresponding hedging instruments, such as trade credit insurances. The carrying amount of the trade receivables covered by the trade credit insurances is EUR 11.2 million (previous year EUR 19.5 million).

The impairments on cash and short-term deposits developed as follows in the fiscal year:

in EUR million	2020	2019
Carrying amount as of 01.01.	**0.3**	**0.3**
Reversals	0.0	0.0
Carrying amount as of 31.12.	**0.3**	**0.3**

The following table contains information on the credit quality of the Group's financial assets by credit rating:

in EUR million	Gross carrying amount (on-balance) as of 31.12.2020		
Rating	**Level 1 impairment model (EL)**	**Level 2 impairment model (LEL)**	**Level 3 impairment model (LEL)**
Investment grade	374.2	654.1	0.0
Non-investment grade	0.0	24.6	41.9

in EUR million	Gross carrying amount (on-balance) as of 31.12.2019		
Rating	**Level 1 impairment model (EL)**	**Level 2 impairment model (LEL)**	**Level 3 impairment model (LEL)**
Investment grade	236.6	656.5	0.0
Non-investment grade	0.0	23.5	31.2

LIQUIDITY RISK

The liquidity risk describes the risk that a company cannot fulfill its financial liabilities on maturity. At MANN+HUMMEL, major liquidity matters and developments are regularly discussed in a liquidity planning. The subsidiaries are included in a central financing of the Group. For all potential fluctuations, the company holds reserve liquidity and credit lines of several hundred million euros, which is also available to cover M&A activities.

The maturity structure of the repayments and interest payments for the financial liabilities and trade payables is presented in the following table:

in EUR million	Carrying amount as of 31.12.2020			Cash outflows
	Total	**2021**	**2022 to 2026**	**2027 et seq,**
Liabilities to banks	1,063.0	186.4	906.6	48.9
Lease liabilities	125.5	32.0	82.7	28.0
Derivative financial instruments	7.1	40.3	148.4	0.0
Other financial liabilities	241.1	145.4	16.4	126.0
Trade payables	595.2	595.3	0.0	0.0
	2,031.9	**999.4**	**1,154.2**	**202.9**

in EUR million	Carrying amount as of 31.12.2019			Cash outflows
	Total	2020	2021 to 2025	2026 et seq,
Liabilities to banks	1,266.9	243.9	782.6	390.7
Lease liabilities	143.4	45.6	67.0	30.8
Derivative financial instruments	6.8	5.0	9.8	0.9
Other financial liabilities	244.0	145.4	16.3	129.3
Trade payables	601.2	600.9	0.4	0.0
	2,262.3	**1,040.7**	**876.1**	**551.7**

PRICE RISK FROM SECURITIES

The price risk means the risk that the fair value of the securities drops.

Investments in securities are largely investments in interest-bearing securities, equities and fund units. A risk reduction follows from this risk reduction that is a requirement for a value increase that has as little fluctuation and is as continuous as possible.

The ultimate decision on the strategic asset allocation and the oversight of all investment results and risk budgets for the special funds is taken by an especially established committee (investment committee). The basis for the investment decisions of the external portfolio managers are the investment policies defined by the investor. When defining these policies, a solid issuer credit rating (minimum rating requirement), strong marketability of the securities and a broad industry diversification, among other things, are observed in order to achieve a further risk reduction.

The company receives a monthly report on the performance of the current market prices and of the individual asset classes. The performance is assessed using, among other things, comparable values, key risk indicators and attribution and allocation analyses of the portfolio managers.

In addition to the qualitative diversification tools to reduce risk, such as diversification of investments in various asset classes, risk-driven design of the investment policies, analysis of the investment results and assessment of the changes in capital markets, quantitative control methods and investment styles are applied as a preference.

Based on a value-at-risk calculation, it can be assumed that with a probability of 99% and a holding period of 10 days, the reduction in market value in the master fund, which pools the funds with the various fund providers, will not exceed EUR 14.4 million (previous year EUR 5.6 million). The calculations were made on the basis of the assumption that asset allocation does not change and no additions are made during the year that would then need to be reallocated. The historical correlations of the relevant funds and securities were taken into account.

Financial investments "at fair value through equity" include investments of EUR 15.2 million (previous year EUR 11.8 million). The measurement is carried out using the multiplier method. The proportionate enterprise value is determined using sales multipliers. Uncertainty with regard to determination of the fair value of these holdings is due mainly to the change in the multipliers used, as there is no price listed on an active market. If the multiples used were to increase by 10.0 percent, the fair values of these investments would rise by EUR 0.1 million (previous year EUR 0.3 million). A reduction would accordingly result in a reduction of EUR 0.1 million (previous year EUR 0.2 million).

CURRENCY RISK

The MANN+HUMMEL Group makes transactions in different currencies due to its international setup. The currency risk means the risk that the fair values or future cash flows of monetary items are affected by exchange rate changes.

In the MANN+HUMMEL Group, hedging measures are conducted for planned foreign currency cash flows within defined maximum limits. The hedging ratio is 50% for cash flow hedges and 100% for fair value hedges. To hedge prices, the net principle applies, i.e. the hedging is carried out for net items from reverse cash flows. Prices are mainly hedged via foreign exchange futures. As in the previous year, of the hedging volume, more than 50% was made up by the currencies USD, SGD, EUR, CZK and RUB in the fiscal year.

To finance the Affinia acquisition, an interest-currency swap of USD 400 million was concluded in 2015, which has a nominal amount of EUR 194.4 million (previous year EUR 229.8 million) at the reporting date and is designated as a fair value hedge with a fair value of EUR 11.0 million (previous year EUR –2.3 million) as of December 31, 2020.

To determine the exposure to be hedged, cash flow planning for the following fiscal year is drawn up annually. On the basis of this planning, exposures are then hedged by forward exchange transactions within the approved risk limit.

In the MANN+HUMMEL Group, the value at risk is determined without change on the previous year on the basis of the variance-covariance method on the assumption of a confidence level of 95% with a holding period of 12 months.

As at the balance sheet date, a potential risk of loss of EUR 13.1 million (previous year EUR 19.5 million), with reference to the next 12 months, is not exceeded with a unilateral confidence level of 95%. The determination was based on an average price volatility of 8.1% (previous year 6.9%).

The maximum risk of loss is calculated from the average price volatility of the past twelve months with reference to the outstanding foreign currency position from the operating business. This results from the inventories of cash and loans in foreign currency on the due date, which are managed via cash flow management, and the net incoming and outgoing payments expected over the coming twelve months on the basis of the current corporate planning, taking into account the hedged inventories.

The following hedging instruments are held as of December 31, 2020:

in EUR million						Maturity
Nominal amounts of hedging instruments	Total	Up to 3 months	Over 3 months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years
Currency hedging	507.9	236.6	242.3	20.8	8.2	0.0
Interest rate/currency hedging	194.4	0.0	0.0	0.0	0.0	194.4
	702.3					

31.12.2019:

in EUR million						Maturity
Nominal amounts of hedging instruments	**Total**	**Up to 3 months**	**Over 3 months to 1 year**	**Over 1 year to 2 years**	**Over 2 years to 5 years**	**Over 5 years**
Currency hedging	330.7	162.2	168.5	32.5	0.0	0.0
Interest rate/currency hedging	229.8	0.0	0.0	0.0	0.0	229.8
	560.5					

Hedging as at the end of the year relates predominantly to the currencies USD, CZK and SGD. The average hedging rates amounted to:

Average rate of exchange	
EUR/USD	1.1773
EUR/CZK	26.5437
EUR/SGD	1.6157

Annual average rate of exchange 2019:

Average rate of exchange	
EUR/USD	1.1122
EUR/CZK	25.9784
EUR/SGD	1.5267

CASH FLOW HEDGES

2020:

in EUR million		Fair value of hedging instruments		Change in fair value	Balance sheet item for hedging transactions
Cash flow hedges	Nominal amount	Assets	Liabilities		
Currency hedging	178.1	1.9	-1.6	1.0	Financial assets/ financial liabilities

2019:

in EUR million		Fair value of hedging instruments		Change in fair value	Balance sheet item for hedging transactions
Cash flow hedges	Nominal amount	Assets	Liabilities		
Currency hedging	40.6	0.5	–1.2	0.1	Financial assets/financial liabilities

At the MANN+HUMMEL Group, the spot-to-spot method is used for designation. Effectiveness measurement is performed cumulatively.

The following amounts were reclassified:

2020:

in EUR million	Reclassified/recycled amount of OCI in profit and loss statement			
Cash flow hedges	From prematurely terminated under-lying transactions	Expired underlying transactions	Profit and loss statement item for reclassified amounts	Profits/losses from hedges of net positions
Currency hedging	0,0	–6.9	Sales, net financial result	

2019:

in EUR million	Reclassified/recycled amount of OCI in profit and loss statement			
Cash flow hedges	From prematurely terminated under-lying transactions	Expired underlying transactions	Profit and loss statement item for reclassified amounts	Profits/losses from hedges of net positions
Currency hedging	0.0	1.4	Sales, net financialresult	

The ineffectiveness amounts to EUR 0.0 million (previous year EUR 0.0 million) due to the spot-to-spot method applied.

2020:

Cash flow hedges (in EUR million)	Change in fair value (for effectiveness calculation) of underlying transaction	Cash flow hedge reserve
Currency hedging	–1.0	1.0

2019:

Cash flow hedges (in EUR million)	Change in fair value (for effectiveness calculation) of underlying transaction	Cash flow hedge reserve
Currency hedging	–0.1	0.1

2020:

in EUR million	Hedging costs total	Of which costs of hedging – fair value	Of which cost of hedging -forward component	Of which costs of hedging -cross currency basis spread	Cash flow hedge reserve – internal values	Spot component – FX derivatives	Interest rate swaps	Other result (OCI) total (cash flow hedge reserve and costs of hedging)
Other result (OCI) as of 01.01.2020	**–0.1**	**0.0**	**–0.1**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
Additions	–2.2	0.0	–2.1	–0.1	0.0	9.0	0.0	6.8
Basis adjustments	1.8	0.0	1.8	0.0	0.0	–8.6	0.0	–6.9
Reclassification to profit and loss statement	0.1	0.0	0.1	0.0	0.0	–0.1	0.0	0.0
Other result (OCI) as of 31.12.2020	**–0.4**	**0.0**	**–0.3**	**–0.1**	**0.0**	**0.4**	**0.0**	**–0.1**

2019:

in EUR million	Hedging costs total	Of which costs of hedging – fair value	Of which cost of hedging -forward component	Of which costs of hedging –cross currency basis spread	Cash flow hedge reserve – internal values	Spot component – FX derivatives	Interest rate swaps	Other result (OCI) total (cash flow hedge reserve and costs of hedging)
Other result (OCI) as of 01.01.2019	**–0.1**	**0.0**	**–0.1**	**0.0**	**0.0**	**0.4**	**0.0**	**0.3**
Additions	–1.1	0.0	–1.0	–0.1	0.0	–0.7	0.0	–1.7
Basis adjustments	1.1	0.0	1.0	0.1	0.0	0.3	0.0	1.4
Reclassification to profit and loss statement	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Other result (OCI) as of 31.12.2019	**–0.1**	**0.0**	**–0.1**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**

FAIR VALUE HEDGES

2020:

in EUR million		Fair value of hedging instruments		Change in fair value of hedging instruments	Balance sheet item for hedging transactions	Ineffectiveness (result) in profit and loss statement	Item profit and loss statement for hedge accounting
Fair value hedges	**Nominal amounts**	**Assets**	**Liabilities**				
Currency hedging	329.8	6.3	–4.4	1.9	Financial assets/ financial liabilities	0.0	Financial expenses/ financial income
Interest rate/ currency hedging	194.4	11.0	0.0	11.0	Financial assets	0.0	

2019:

in EUR million		Fair value of hedging instruments		Change in fair value of hedging instruments	Balance sheet item for hedging transactions	Ineffectiveness (result) in profit and loss statement	Item profit and loss statement for hedge accounting
Fair value hedges	**Nominal amounts**	**Assets**	**Liabilities**				
Currency hedging	290.1	3.1	–1.6	1.5	Financial assets/ financial liabilities	0.1	Financial expenses/ financial income
Interest rate/ currency hedging	229.8	0.0	–2.3	–2.3	Financial assets	0.0	

MANN+HUMMEL makes use of the exception in accordance with IFRS 9.6.3.5 and designates internal loans as underlying transactions in the context of hedge accounting. Gains and losses from foreign currency translation are not fully eliminated at Group level, as the internal loans between two companies of the Group are handled with different functional currencies. The fair value changes of underlying transactions largely corresponded to the fair value changes of hedging instruments. Ineffectiveness between the fair value changes of underlying transactions and hedging instruments occurred in particular in transactions with longer terms in 2019.

INTEREST RATE CHANGE RISK

The interest rate change risk is the risk that the fair value or future cash flows of financial instruments fluctuate due to market interest rate changes.

MANN+HUMMEL monitors the interest rate change risk at monthly intervals and measures it against a defined loss limit as the basis for any necessary hedging measures.

An increase/reduction in the average interest rate on variable-interest-bearing financial liabilities by 50 basis points would have an effect on the net profit or loss before income tax of +/– EUR 1.0 million (previous year +/– EUR 1.0 million).

In the event of an increase in the average interest rate on variable-interest-bearing financial assets by 50 basis points, the net profit or loss before income tax would rise by +/– EUR 0.06 million (previous year +/– EUR 0.15 million).

RAW MATERIALS PRICE RISK

In the MANN+HUMMEL Group, hedging transactions were carried out in a non-material scope in the area of steel during the reporting period. MANN+HUMMEL minimizes the existing risks with long-term contracts, a selection of strategic, globally positioned suppliers and the monitoring of exchange rates.

39. GOVERNMENT GRANTS

EUR 2.0 million (previous year EUR 1.2 million) in government grants was received in the fiscal year. This is broken down as follows:

in EUR million	2020	2019
Grants for investments	0.0	0.6
Cost subsidies	2.0	0.6
	2.0	**1.2**

Cost subsidies primarily include state grants for COVID-19 compensation.

The conditions attached to the granting of the investment subsidies in the previous year were met.

40. RELATED PARTY DISCLOSURES

Under IAS 24, persons or companies that control the MANN+HUMMEL Group or are controlled by it must be disclosed, unless they are already included in the consolidated financial statements as a consolidated company. Control exists if a shareholder holds more than half the voting rights or if it is possible, under the articles of association or contractual agreement, to control the financial and business policy of the management. In addition, the reporting obligation extends under IAS 24 to transactions with associates and holdings, in which the MANN+HUMMEL Group holds at least 20% and to transactions with persons who have a considerable influence on the financial and business policies, including close family members or intermediate companies. A major influence on the financial and business policy can hereby be based on a stake in the parent of 20% or more, sitting on the Management Board or on the Supervisory Board of the parent or holding another key role in the management. Accordingly, only the members of the Supervisory Board and the Management Board are close persons. There are no other close persons.

The Mann Familien-Beteiligungsgesellschaft mbH&Co.KG and the Hummel Familien-Beteiligungsgesellschaft mbH&Co. KG, which together hold 83.3% of MANN+HUMMEL International GmbH & Co KG, exercise a significant influence as related companies. There were no transactions with these shareholders. In the previous year, transactions were limited to the distribution of dividends amounting to EUR 5.3 million. The other shareholders received a dividend of EUR 3.7 million for the current fiscal year (previous year EUR 1.1 million). Further withdrawals by the shareholders in the amount of EUR 6.8 million (previous year EUR 6.0 million) were made in the fiscal year.

The transactions with related companies and the receivables and payables existing as at the balance sheet date essentially result from the usual business activities and are the following:

in EUR million	Joint venture	Associates	Other investees
2020			
Deliveries made and services provided			
Sale of goods	0.0	9.3	0.0
Services	0.0	0.0	0.0
Other services	0.0	0.6	0.0
Deliveries received and services procured			
Sale of goods	0.0	0.0	0.0
Services	0.0	0.0	0.3
Other services	2.4	0.2	0.4
Receivables	0.0	2.1	0.0
Liabilities	0.1	0.0	0.0

in EUR million	Joint venture	Associates	Other investees
2019			
Deliveries made and services provided			
Sale of goods	0.0	4.9	0.0
Services	0.0	0.0	0.0
Other services	0.0	0.0	0.0
Deliveries received and services procured			
Sale of goods	0.1	3.9	0.0
Services	0.0	1.0	0.3
Other services	2.3	0.1	0.4
Receivables	0,0	2.2	0.0
Liabilities	4.2	2.0	0.0

41. REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS

MANAGEMENT BOARD

Emese Weissenbacher,
Bietigheim-Bissingen

Nicolaas Zerbst,
Stuttgart

Kurk Wilks, Portage,
MI, USA (from 01.01.2020)

SUPERVISORY BOARD OF MANN+HUMMEL VERWALTUNGS GMBH

Thomas Fischer, Schalksmühle,
Chairman

Ralph Kraut, Kirchheim am Neckar
Works Council Chairman MANN+HUMMEL
Ludwigsburg

Helga Huber, Taufkirchen/Vils
Vice-Chairwoman
Works Council Chairwoman MANN+HUMMEL Marklkofen

Susanne Thomas, Ludwigsburg
Trade Union Secretary IG Metall,
Ludwigsburg office

Gerhard Weis, Römerberg
Works Council Chairman MANN+HUMMEL Speyer

Walter Gehl, Frankfurt/Main
(up to April 30, 2020)

Robert Grashei, Altdorf
1st authorized representative of IG Metall, Landshut

Jens Michael Hummel, Stuttgart

Bernhard Wimmer, Rimbach
Plant Head Marklkofen

Johannes Winklhofer, Munich
Managing Partner
iwis Group

Dr. Karin Exner-Wöhrer, Vienna
Chairwoman of the Board of Directors
Salzburg Aluminium AG

Dr. Rolf Heintzeler, Munich
Insurance company executive

Dr. Klaus Peter Fouquet, Vaihingen/Enz
(from May 1, 2020)

The current salaries of the active members of the Management Board for the 2020 fiscal year are EUR 3.3 million (previous year EUR 3.6 million). The expenses for the pension entitlements of the active members of the Management Board earned in the current fiscal year amount to EUR 0.3 million (previous year EUR 0.3 million).

The provisions for pensions for former members of the Management Board and their survivors is EUR 10.3 million (previous year EUR 17.3 million).

The salaries of the Supervisory Board for the 2020 fiscal year amount to EUR 0.5 million (previous year EUR 0.5 million).

In addition, companies of the MANN+HUMMEL Group have not conducted any transactions subject to contributions with members of the management or the Supervisory Board of the MANN+HUMMEL Group as well as other members of the management in key roles or with companies on whose management or supervisory committees these persons sit. This also applies to close family members of this group of persons.

42. STAFF

The average number of employees in the MANN+HUMMEL Group during the year 2020 was 21,480 (previous year 22,013), of which 7,098 (previous year 7,282) were salaried employees and 14,382 (previous year 14,731) were wage earners.

43. FEES OF THE AUDITOR

The fee of the auditor of the consolidated financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, reported in the consolidated financial statements is EUR 2.0 million (previous year EUR 2.3 million) and consists of auditing services in the amount of EUR 0.7 million (previous year EUR 0.7 million), tax advisory services of EUR 1.3 million (previous year EUR 1.3 million) and other services of EUR 0.0 million (previous year EUR 0.3 million).

44. INDICATION OF SECTION 264 (3) AND SECTION 264B HGB

The companies MANN+HUMMEL East European GmbH & Co. KG, Ludwigsburg, MANN+HUMMEL Vokes Air GmbH & Co. OHG, Sprockhövel and MANN+HUMMEL Innenraumfilter GmbH & Co. KG, Himmelkron/Germany, MANN+HUMMEL Automotive GmbH, Bad Harzburg/Germany, Microdyn-Nadir GmbH, Wiesbaden/Germany, helsatech GmbH, Gefrees/ Germany, have made use of the exemption in accordance with Section 263 (3) or Section 264b of the German Commercial Code (HGB).

45. EVENTS AFTER THE BALANCE SHEET DATE

On February 26, 2021, the MANN+HUMMEL Group, through MANN+HUMMEL LS+E HOLDINGS, INC. acquired a 55% (and thus a majority interest) in Clean Aire, LLC. The acquisition of the shares became effective on March 2, 2021. The company operates under the name Pamlico Air and is assigned to the Life Science and Environment business segment. The purchase price for the investment is in the mid double-digit million range. The acquisition will enable MANN+HUMMEL to complement its existing air filtration product portfolio and further expand its market share in the North American market. After initial inclusion in the consolidated financial statements in fiscal year 2021, the Company will contribute revenue of approximately EUR 100 million to consolidated sales. At the same time, we do not expect any earnings contribution to the operating result before purchase price allocation in the first year of inclusion.

46. LIST OF SHAREHOLDINGS

Company name and domicile	Consolidation status [1]	Equity interest %
1. Subsidiaries		
Germany		
MANN+HUMMEL Holding GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL Verwaltungs GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL Beteiligungs- und Verwaltungsgesellschaft mbH, Ludwigsburg	F	83.3
MANN+HUMMEL Filtration GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL AUTOMOTIVE GmbH, Bad Harzburg	F	83.3
MANN+HUMMEL Innenraumfilter GmbH & Co. KG, Himmelkron	F	83.3
MANN+HUMMEL Innenraumfilter Verwaltungs GmbH, Himmelkron	F	83.3
MANN+HUMMEL Komplementär GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL East European Holding GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL East European GmbH & Co, KG, Ludwigsburg	F	83.3
MANN+HUMMEL East European Verwaltungs GmbH, Ludwigsburg	F	83.3
MANN+HUMMEL Vokes Air GmbH & Co, OHG, Sprockhövel	F	83.3
MANN+HUMMEL MRH Filter Beteiligungsgesellschaft mbH, Sprockhövel	F	83.3
MANN+HUMMEL Atex Filter Verwaltungsgesellschaft mbH, Sprockhövel	F	83.3
MN Beteiligungsgesellschaft mbH, Wiesbaden	F	83.3
MICRODYN-NADIR GmbH, Wiesbaden	F	83.3
I2M GmbH, Alzenau	N	83.3
helsatech GmbH, Gefrees	F	83.3
helsacomp GmbH, Gefrees	N	66.7
Seccua Holding AG, Steingaden	N	50.0

1 F: Consolidated Group; E: Accounted for at equity; N: No inclusion due to irrelevance in accordance with Section 296(2) HGB or Section 311(2) HGB

Company name and domicile	Consolidation status [1]	Equity interest %
Europe		
MANN+HUMMEL (UK) Ltd., Wolverhampton/UK	F	83.3
INDUSTRIAL FILTERS LTD., Wolverhampton/UK	F	83.3
MANN+HUMMEL HYDROMATION N.V., Hasselt/Belgium	F	83.3
MANN+HUMMEL (CZ) v.o.s., Nová Ves/Czech Republic	F	83.3
MANN+HUMMEL Service s.r.o., Nová Ves/Czech Republic	F	83.3
MANN+HUMMEL Innenraumfilter s.r.o., Uherský Brod/Czech Republic	F	83.3
MANN+HUMMEL IBERICA S.A.U., Saragossa/Spain	F	83.3
MANN+HUMMEL FRANCE SAS, Laval/France	F	83.3
MANN+HUMMEL ITALIA S.r.l., Turin/Italy	F	83.3
MANN+HUMMEL OOO, Moscow/Russian Federation	F	83.3
MANN+HUMMEL Filtration Technology Ukraine Ltd., Krasiliv/Ukraine	F	83.3
MANN+HUMMEL BA J.S.C., Tesanj/Bosnia-Herzegovina	F	83.3
MANN VE HUMMEL FİLTRE SANAYİ VE TİCARET LİMİTED ŞİRKETİ, Istanbul/Turkey	F	83.3
MANN+HUMMEL Vokes Air Treatment Holdings Ltd., Burnley/UK	F	83.3
MANN+HUMMEL Vokes-Air Limited, Burnley/UK	F	83.3
MANN+HUMMEL Filtration Technology UK Ltd., Riverside/UK	F	83.3
MANN+HUMMEL Vokes Air Filtration Ltd, Burnley, UK	F	83.3
MANN+HUMMEL Wheway Plc, Burnley, UK	F	83.3
MANN+HUMMEL Vokes Air BV, Ijsselstein/Netherlands	F	83.3
MANN+HUMMEL Vokes Air AS, Hvidovre/Denmark	F	83.3
MANN+HUMMEL Vokes Air AG, Uster/Switzerland	F	83.3
MANN+HUMMEL Vokes Air GmbH, Vösendorf/Austria	F	83.3
MANN+HUMMEL Vokes Air Holding AB, Svenljunga/Sweden	F	83.3
MANN+HUMMEL Vokes Air AB, Svenljunga/Sweden	F	83.3
MANN+HUMMEL FT Poland Spolka z Ograniczona Odpowiedzialnoscia sp.k., Gostyn/Poland	F	83.3
MANN+HUMMEL FT Poland Spolka z Ograniczona Odpowiedzialnoscia, Gostyn/Poland	F	83.3
Jack Filter Lufttechnik GmbH/Steindorf, Austria	F	83.3
Jack Filter Hungaria Kft/Polgárdi, Hungary	F	83.3
JFI Service Kft., Polgárdi/Hungary	F	83.3
MICRODYN-NADIR Oltremare S.p.A.	F	83.3

1 F: Consolidated Group; E: Accounted for at equity; N: No inclusion due to irrelevance in accordance with Section 296(2) HGB or Section 311(2) HGB

Company name and domicile	Consolidation status [1]	Equity interest %
America		
MANN+HUMMEL INC., Wilmington, DE/USA	F	83.3
MANN+HUMMEL USA, INC., Portage, MI/USA	F	83.3
MANN+HUMMEL Purolator Filters LLC, Fayetteville/USA	F	83.3
I2M LLC, Raleigh NC, USA	N	83.3
MICRODYN TECHNOLOGIES INC., Raleigh, NC/USA	F	83.3
MANN+HUMMEL Filtration Technology US LLC, Gastonia, NC/USA	F	83.3
MANN+HUMMEL Filtration Technology Products Corp LLC, Gastonia, NC/USA	F	83.3
MANN+HUMMEL Filtration Technology Southern Holdings LLC, Gastonia, NC/USA	F	83.3
MANN+HUMMEL Filtration Technology International INC., Gastonia, NC/USA	F	83.3
MANN+HUMMEL Filtration Technology Canada ULC, Ayr, Ontario/Canada	F	83.3
MANN+HUMMEL MEXICO S.A. d. C. V., Santiago de Querétaro/Mexico	F	83.3
MANN+HUMMEL MEXICO SERVICIOS S.A. d. C. V., Santiago de Querétaro/Mexico	F	83.3
MANN+HUMMEL Filtration Technology Mexico S, de R.L.de C.V. , Ramos Arizpe/Mexico	F	83.3
MANN+HUMMEL Filtration Technology Distribution Mexico S.A. de C.V., Ramos Arizpe/Mexico	F	83.3
MANN+HUMMEL BRASIL LTDA., Indaiatuba/Brazil	F	83.3
MANN+HUMMEL ARGENTINA S.A., Buenos Aires/Argentina	F	83.3
MANN+HUMMEL Filtration Technology Venezuela C.A., Maracay/Venezuela	N	83.3
MANN+HUMMEL Filtration Technology Distribution Venezuela C.A., Maracay/Venezuela	N	83.3
MANN+HUMMEL Filtration Technology Commercial Distribution C.A., Maracay/Venezuela	N	83.3
MANN+HUMMEL COLOMBIA S.A.S., Bogotá, D.C./Columbia	F	83.3
MANN+HUMMEL LS+E HOLDING INC, Wilmington, DE/USA	F	83.3
Tri-Dim Filter Corporation, Louisa, VA/USA	F	83.3
Tri-Dim Canada Inc., Saint John, New Brunswick/Canada	F	83.3
Hardy Filtration Inc, Trois Rivières Quebec/Canada	F	83.3
Asia		
MANN+HUMMEL WATER SOLUTIONS HOLDING PTE. LTD., Singapore/Singapore	F	83.3
MANN+HUMMEL FILTER TECHNOLOGY (S.E.A.) PTE. LTD., Singapore/Singapore	F	83.3
MICRODYN-NADIR Singapore Pte. Ltd., Singapore/Singapore	F	83.3
MANN+HUMMEL Middle East FZE, Dubai/United Arab Emirates	F	83.3
MANN and HUMMEL Thailand Ltd., Bangkok/Thailand	F	83.3
MANN+HUMMEL KOREA CO. LTD., Wonju/South Korea	F	83.3
MANN+HUMMEL JAPAN Ltd., Shin-Yokohama/Japan	F	83.3

1 F: Consolidated Group; E: Accounted for at equity; N: No inclusion due to irrelevance in accordance with Section 296(2) HGB or Section 311(2) HGB

Company name and domicile	Consolidation status [1]	Equity interest %
MANN AND HUMMEL FILTER PRIVATE LTD., Bangalore/India	F	83.3
CHANGCHUN MANN+HUMMEL FAWER FILTER CO. LTD., Changchun/PR China	F	50,0
MANN+HUMMEL Filter (CHONGQING) CO., LTD., Chongqing PR China	F	83.3
MANN+HUMMEL FILTER (SHANGHAI) CO. LTD., Shanghai/PR China	F	83.3
MANN+HUMMEL FILTER TRADING (SHANGHAI) CO. LTD., Shanghai/PR China	F	83.3
MANN+HUMMEL (CHINA) CO. LTD., Shanghai/PR China	F	83.3
MANN+HUMMEL FILTER (JINAN) CO. LTD., Jinan/PR China	F	83.3
MANN+HUMMEL Haoye Filter (Bengbu) Co., Ltd., Bengbu/PR China	F	83.3
MICRODYN-NADIR (Xiamen) Co., Ltd., Xiamen/PR China	F	83.3
MANN+HUMMEL Filtration (Longkou) Co., Ltd., Longkou City/PR China	F	83.3
MANN+HUMMEL Ventures Pte. Ltd., Singapore/Singapore	F	83.3
MANN+HUMMEL (CHINA) LIFE SCIENCE AND ENVIRONMENTAL CO., LTD., Kunshan, China	F	83.3
Australia		
MANN AND HUMMEL AUSTRALIA (PTY) LTD., Arndell Park NSW, Australia	F	83.3
Africa		
MANN AND HUMMEL Filters South Africa (Pty) Ltd., Boksburg/South Africa	F	83.3
MANN AND HUMMEL FILTERS MOROCCO SARL AU	F	83.3
2. Associates		
ABC S.A., Cordoba/Argentina	E	25,0
Thermal Control Systems Automotive, Changé, France	E	33,3

Ludwigsburg, April 27, 2021

MANN+HUMMEL International GmbH & Co KG

The Management Board

Kurk Wilks
Emese Weissenbacher
Nicolaas Zerbst

1 F: Consolidated Group; E: Accounted for at equity; N: No inclusion due to irrelevance in accordance with Section 296(2) HGB or Section 311(2) HGB

INDEPENDENT AUDITOR’S REPORT

To MANN + HUMMEL International GmbH & Co. KG

OPINIONS

We have audited the consolidated financial statements of MANN+HUMMEL International GmbH & Co. KG, Ludwigsburg, and its subsidiaries (the Group), which comprise the consolidated profit and loss statement and consolidated statement of comprehensive income for the fiscal year from January 1 to December 31, 2020, the consolidated balance sheet as of Deceber 31, 2020, the consolidated cash flow statement and the consolidated changes in equity for the fiscal year from January 1 to December 31, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group status report of MANN+HUMMEL International GmbH & Co. KG, which has been combined with the status report of the Company, for the fiscal year from January 1 to December 31, 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2020, and of its financial performance for the fiscal year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group status report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Stuttgart, May 4th, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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