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Materna Information & Communications SE

Dortmund

Consolidated financial statements for the financial year from 01/01/2019 to 12/31/2019

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Company basics

a) business model

Materna Information & Communications SE, Dortmund, (Materna SE for short) is one of the leading providers of IT services and mobile data communication in Germany. The consulting company Lünendonk & Hossenfelder GmbH ranks Materna SE in fifth place of the twenty leading German medium-sized IT consulting and system integration companies (as of 2018).

In the Materna Group, Materna SE, as the largest operating company, has the central position. As of December 31, 2019, it held direct or indirect shares of more than 50% in 20 national and international companies. The main domestic subsidiaries of the Materna Group include cbs Corporate Business Solutions Unternehmensberatung GmbH (cbs GmbH for short) in Heidelberg, IQDoQ GmbH in Bad Vilbel, agineo GmbH in Aachen, and MATERNA TMT GmbH (TMT GmbH for short) in Dortmund and the INFORA Society for Information, Organization and Automation mbH (Infora GmbH for short) in Cologne.

Abroad, the Nordic Materna company in Sweden, the companies in North America and the Eastern European companies in Slovakia, the Czech Republic and Poland represent a significant part of the Materna group of companies, with the majority of the companies in the Czech Republic and Poland having economic effect on December

31, 2019. Further information on the scope of consolidation can be found in the notes.

Organizationally, the Materna group of companies extends over five business lines: IT Factory, Public Sector, Digital Enterprise, Mobility, the SAP consulting company cbs Corporate Business Solutions Unternehmensberatung GmbH, as well as the area of corporate investments. The group of companies is thus pursuing the goal of diversification across several industries in order to minimize risk in times of crisis. By bundling extensive technical and technological expertise in the individual business lines, the group of companies would like to be able to react quickly and specifically to market requirements.

The IT Factory business line offers its customers from companies and authorities a complete range of consulting and technology for the transformation of classic IT systems into a highly automated IT factory. The focus is on the digitization of company processes, the efficient design and secure operation of the respective IT landscape. On the way to more performance and agility, the service portfolio of the IT Factory business line is intended to ensure the competitiveness of customer companies in an increasingly fast-moving market. The subsidiary agineo GmbH,

The Public Sector business line supports national authorities in the strategic and IT-technical implementation of state tasks on the way to digital administration. The goals of the customers, such as B. One-stop government, increased efficiency and transparency in administration, harmonization of processes and communication as well as collaboration and knowledge management are supported. With experience from over 1,000 projects in public administration at local, state and federal level, the Public Sector business line is an important guide and source of inspiration for the public sector. The subsidiary Infora GmbH, which provides organizational and IT consulting for public administration,

The Digital Enterprise business line supports companies in their digital transformation and offers solutions for digitizing touchpoints for customers and employees. The service portfolio ranges from transformation consulting, digital brand management and the digitization of business processes to solutions for the digital work of tomorrow. The customers of the Business Line Digital Enterprise are mainly based in German-speaking countries. The subsidiary TMT GmbH, which provides innovative software and services for training and further education as well as media consulting and production as a service, is assigned to the Digital Enterprise business line. The subsidiary IQDoQ GmbH is also located here,

Under the brand name MATERNA IPS - intelligent passenger solutions - the Mobility business line simplifies the handling processes of airlines and airports worldwide on the basis of comfortable and safe self-service systems for passengers. Self-check-in already remotely on the web or on site at kiosk solutions, the independent baggage check-in at so-called self-bag drop systems, electronic access control systems for security areas and the biometric recognition of passengers are among the core competencies in a very international one Market. The Mobility business line includes the national companies with a focus on sales and service in the USA, Canada, UK, Norway and India.

In addition, services related to mobility and multimedia data for book publishers, labels and marketing agencies as well as for the transport industry such as B. Toll companies and freight forwarding service providers.

The international management consultancy cbs Corporate Business Solutions Unternehmensberatung GmbH is a designer of company-wide process and SAP system landscapes as well as a technology consultant. As a solution partner for large and medium-sized companies in the manufacturing industry, cbs GmbH creates global SAP business solutions by combining a comprehensive range of services with industry-specific process knowledge and special expertise in global projects. Cbs GmbH offers large companies and operators of complex system landscapes the high-quality portfolio of a specialist in system restructuring (system landscape transformation), system integration and business intelligence.

The five business lines are supplemented by further company investments:

Materna Czech Republic and Materna Poland:

Materna Communications as, Prague / Czech Republic, has long-term relationships with telecommunications operators in the region. Materna Czech Republic operates a messaging and application platform (including landline SMS) for numerous customers such as banks, municipalities, public institutions and gaming providers. In addition, Materna Czech Republic operates an MVNO enabling platform with its own billing and CRM system as a joint venture with Vodafone CZ and COOP Mobil sro, Prague / Czech Republic. On November 27, 2019, 40% of the shares in Materna Communications as, Prague / Czech Republic, were sold, reducing Materna SE's stake from 75% to 35%.

Materna Communications as, Prague / Czech Republic, holds an 87.4% stake in Materna Communications Sp. Zoo, Warsaw / Poland. The company's topics include mobile communications services for everything to do with SMS, MMS and voice services. Customers are telecommunications companies and companies from various industries.

Message Mobile GmbH

Message Mobile GmbH, Lüneburg, is an international specialist in customized, mobile communication. The range of services extends from simple SMS sending and mobile payment to highly professional processing of SMS aggregator business. The 51.05% stake in Message Mobile GmbH, Lüneburg, was sold in March 2019.

b) Goals and strategy

As an internationally successful IT service provider, Materna SE advises and accompanies its customers in all matters relating to digitization and provides tailor-made solutions for agile, flexible and secure IT. Materna SE uses extensive industry and specialist know-how as well as expert and methodological knowledge in the IT technologies of market-leading partner companies and in the development of business-critical software architectures with the aim of optimally developing the potential of its customers. Materna SE acts as a realization partner for both upper medium-sized companies and large corporations.

Materna SE's strategy is to maintain and expand its existing competitive position in the market. Due to the diverse portfolio, which is sold almost exclusively in the B2B business model, authorities, large medium-sized companies and corporations from various industries are the target groups of the business lines Digital Enterprise, IT Factory and Public Sector. For the Mobility business line, airports and airlines are primarily the target group. In particular, it is important here to further advance internationalization, with the focus on the North American continent. The business line cbs Group is also very active internationally due to its customer structure.

The IT market is a very fast-moving market. New technologies and platforms are emerging at great speed. Materna SE operates its own Innovation Center to evaluate the new business opportunities and models that may be associated with this. Customers are also supported there in recognizing the benefits of new technologies for their own business model. Examples are new developments based on blockchain, data science, virtual reality or augmented reality and artificial intelligence. The Innovation Center is set up as a cross-company organizational unit.

c) control system

For ongoing management of the group in terms of target fulfillment, the use of opportunities and the implementation of strategic goals, the board of Materna SE uses the comprehensive information system tailored to the group, which provides information on all relevant key figures with monthly and quarterly reports. These include in particular incoming orders, sales, gross profit and EBIT, as well as capacity utilization. The gross profit is calculated on a project-specific basis from the difference between sales revenues and internal and external directly attributable costs.

The comparison of the actual and the planned business development is carried out within the framework of a monthly report and an extrapolation prepared as a quarterly forecast. The sum of the instruments available is intended to enable management to take countermeasures in good time to achieve the overall objective and to limit risk.

The monthly reports are routinely used for evaluation discussions between controlling and management and the heads of the business lines.

d) Research and Development

The expenditures for research and development are somewhat lower than in the previous year. In addition to the research and development activities in the business lines for existing and already successful solutions for customers, the focus was on further expanding the activities of the Innovation Center. The Materna Innovation Center has the task of recording market trends, evaluating them and showing possible potential for Materna SE and Materna customers. It serves as an "innovation engine" for the operational units and prepares the creation and multiplication of new elements in the Materna portfolio. The activity is based on three pillars: communication, technology and business development. Communication includes to take a position both internally and externally on issues on which we want to position ourselves from a group perspective. The Innovation Center also offers internal and customer workshops on innovation topics. These can be used to position Materna SE with existing and new customers on innovative topics, but also to receive market feedback on our topics. This is used to sharpen possible Materna positioning. Understanding and evaluating innovative technologies, architectures and process models is the DNA of the Materna Group. The Innovation Center evaluates frameworks, APIs and products for use in customer or customer-oriented scenarios. For this purpose, the Innovation Center creates prototypes for customer-oriented requirements in order to achieve proof-of-concepts (PoCs) or proof-of-values (PoVs). The Innovation Center is a virtual organizational unit, suspended in Corporate Development. The motivation to introduce an innovative technology is always directly related to the added value that it generates for a company's business. Therefore, the Innovation Center has set itself the task of developing potential business models and value-added arguments for innovative technology for both Materna SE and Materna customers. The Innovation Center is a virtual organizational unit, suspended in Corporate Development. The motivation to introduce an innovative technology is always directly related to the added value that it generates for a company's business. Therefore, the Innovation Center has set itself the task of developing potential business models and value-added arguments for innovative technology for both Materna SE and Materna customers.

The Materna Group also worked on the further development of its products in the past financial year. This included maintenance work and functional improvements to our own products, supplemented by partner products according to the requirements of the markets. All business lines strive for an optimal product portfolio through partner programs and cooperations and provide the appropriate resources in product marketing and management.

1 economic report

a) Macroeconomic and industry-specific framework conditions

The German economy was able to continue the trend that has been ongoing since 2010 and grow again in 2019. According to initial calculations by the Federal Statistical Office, the growth in gross domestic product at 0.6% is, however, significantly lower than in previous years. Thus, the German economy has clearly lost momentum. In principle, the development of the economy remains divided into two parts: a robust domestic economy - supported by rising incomes, tax relief and dynamic government spending - is offset by the economic weakness of export-oriented industry.

At the start of 2020, there were initially signs of an upturn in economic activity. With the spread of the corona virus, economic development is likely to be noticeably more subdued from March at the latest. The corona virus is affecting the German economy. How strong and how long can currently not be reliably estimated because no meaningful economic data are available yet. Due to the very dynamic development of the coronavirus, however, relevant negative economic effects must be expected. The German economy was in the process of overcoming its weak phase that had persisted since the beginning of 2018, related to the global industrial recession and trade disputes. The coming economic development will be determined by how the further national and global spread of the coronavirus will proceed. The German economy is likely to be affected on the supply side by possible disruptions in supply chains and production losses due to incapacity for work, as well as on the demand side by lower export demand and nationally by significant consumer reluctance. Pandemics can spread across the world in waves, but according to previous experience they are rather short and violent in the individual regions.

The industry association Bitkom states that the ITK (information and telecommunications technology) market will grow by 2.9% in 2019. The turnover of Materna SE rose by 12.9% in the past financial year, which is well above average compared to the ITC market. This is particularly due to the very good development in the IT Factory and Public Sector business lines. For 2020, Bitkom was expecting renewed growth of 2.7% for the ICT market. However, the mood in the digital industry took a slight damper in February. The Bitkom-ifo digital index fell by 0.8 to 24.9 points. The decisive factor was that companies no longer rated their current business situation as positively as they did in January.

b) Course of business

The Materna Group achieved sales of T € 323,839 in the 2019 financial year. This exceeded the previous year's sales of T € 288,575 by 12.2%. The planned sales of T € 316,581 could also be exceeded by 2.3%. The Materna Group again benefited from consistently good capacity utilization in the 2019 financial year. In addition, some projects with larger volumes could be implemented that were not planned in the budget. The majority of sales are generated in the IT Factory (32.5%), cbs (28.4%) and Public Sector (22.2%) business lines.

In the 2019 financial year, the parent company Materna Information & Communications SE decided to bundle the passenger handling business, which is assigned to BL Mobility, and to transfer it to Materna IPS GmbH, Dortmund, by way of a spin-off in the 2020 financial year. The sub-division is being outsourced including the foreign subsidiary corporations in India, Canada, UK and USA. These were already sold to Materna IPS GmbH in December 2019. With the outsourcing of the sub-area, a more agile and independent appearance on the market is to be sought, in order to be able to make even better use of the potential in the area of handling processes for airlines and airports based on self-service systems for passengers. To this end, all companies in the sub-division were rebranded and IPS, which stands for Intelligent Passenger Solutions, was included in all company names.

In addition, Materna SE has sold 40% and thus its majority in the Czech subsidiary Materna Communications as, based in Prague. The sale took place as part of a management buyout, after which the long-time managing director and co-partner Martin Košut acquired the shares through KOŠUT Capital Holding as, which he held. Materna SE retains a 35% stake in the company. Furthermore, Materna Communications as, Prague / Czech Republic, holds 87.4% in Materna Communications Sp. Zoo, Warsaw, 75.4% in Quadruple as, Prague / Czech Republic, and 33.33% in COOP Mobil sro, Prague involved.

Furthermore, Materna SE sold its 51.05% stake in Message Mobile GmbH in March 2019.

c) Profit situation

The increase in sales by T € 35,265 to T € 323,839 plus the inventory change in the amount of T € 3,145 results in a total output of T € 326,984. The sales are distributed among the business areas as follows:

	2019	2018
	€ million	€ million
BL Public Sector	71.9	65.1
BL IT Factory	105.3	96.7
BL Digital Enterprise	29.1	28.9
BL Mobility	25.7	18.4

	2019	2018
	€ million	€ million
BL cbs	91.8	79.5
total	323.8	288.6

The increase in sales is mainly due to higher consulting sales (+ T € 32,764). The decisive factor for the increased consulting revenues is a consistently high capacity utilization in the 2019 financial year. At BL cbs, the need to switch from the existing SAP ERP platforms to the new software generation SAP S / 4HANA in particular led to a growth in demand for the solution offerings (ONE Corporate Business Solutions on SAP S / 4HANA, System Landscape Transformation, Roll-outs) of cbs Corporate Business Solutions Unternehmensberatung GmbH.

The total output was achieved with a material usage rate that was almost the same as in the previous year (25.3%; previous year: 25.2%). The resulting gross profit increased in absolute terms by T € 25,750 to T € 244,396 with an almost unchanged gross profit margin of 74.7% (previous year: 74.8%). The reason for the stagnating gross profit margin was the high capacity utilization in the Materna Group. As a result, additional subcontractors had to be commissioned and the services purchased rose disproportionately to total output by 14%.

Other operating income includes profits from the sale of shares in Materna Communications as, based in Prague (€ 1,369 thousand), and the sale of shares in Message Mobile GmbH, Lüneburg, (€ 1,293 thousand). In addition, there is a special effect in 2019 from the release of pension provisions in the amount of T € 2,250. The sharp decrease in other operating income by 34.2% to T € 12,560 is mainly due to the special effect income from the sale of buildings (T € 12,911) at Materna SE in the previous year.

The increase in personnel expenses by T € 14,564 or 9.2% to T € 172,146 (previous year: T € 157,582) is due not only to the necessary increase in staff due to the good business development but also to the good result in the 2019 financial year and the associated increase in performance-related remuneration to explain. The other operating expenses in the past financial year were T € 41,602 and thus T € 3,502 or 9.2% above the previous year's level (T € 38,100). The increase is mainly due to higher room costs (+ T € 2,003) mainly due to the sale and leasing back of the office building at the headquarters in Dortmund as well as leasing additional work space.

Depreciation increased by T € 1,951 compared to the previous year. In particular, the special depreciation (€ 1,732 thousand) on the difference capitalized as goodwill from the capital consolidation of the shares in Materna Information & Communications Norway A / S, Lillestrom / Norway, following a revaluation of the hidden reserves, is significant here.

The EBIT for the 2019 financial year was T € 35,583 and thus T € 805 below the previous year's figure. Adjusted for the income from the sale of buildings in the previous year, EBIT increased by € 12,106 thousand compared to 2018. This more than doubled the EBIT. The EBIT margin in 2019 is 10.9% and thus 2.9 percentage points above the adjusted EBIT margin of the previous year. The positive development is due to the increase in total output and the high capacity utilization, which for the most part could be passed through to EBIT. The planned EBIT of T € 26,565 was exceeded by T € 9,018. The BLs IT Factory and Public Sector made the essential contribution.

The investment and financial result was T € 1,189 and thus T € 1,113 below the previous year's level. The decrease results mainly from a special effect at Materna SE in the previous year. In the previous year, Materna SE showed interest on tax refunds for the years 2003 to 2012 (T € 1,065) after successfully disputed tax court proceedings.

Taxes amounted to T € 13,819 and were therefore T € 6,069 above the previous year. The higher tax expense is due to the positive business development. In addition, the 2019 financial year includes the tax expense on the profit from the sale of buildings at Materna SE in the previous year. The 6b reserve formed in the previous year was released again, as was the deferred tax liabilities of € 3,059 thousand.

The Materna Group closed the 2019 financial year with a consolidated annual surplus of € 20,575 thousand, after a consolidated annual surplus of € 28,562 thousand in 2018. Other shareholders accounted for € 256 thousand of the consolidated annual surplus.

In the 2019 reporting year, the Materna Group had an average of 2,243 employees (previous year: 2,063 employees).

d) Financial position

As of December 31, 2019, the balance sheet of the Materna Group shows equity of € 77,479 thousand (previous year: € 57,690 thousand). Compared to the previous year, this means an increase of 34.3%. The share of equity in the balance sheet total is 38.1% (previous year: 31.7%).

On June 27, 2019, the Annual General Meeting resolved to increase the share capital by € 7,540 thousand from company funds. The increase was achieved through a partial conversion of the amounts allocated to retained earnings when the retained earnings from the 2018 financial year were used.

In the course of 2019, investments were made in intangible assets without taking into account the goodwill resulting from the initial consolidation and property, plant and equipment in the amount of € 5,029 thousand (previous year: € 7,968 thousand). Above all, investments were made in a new data center as well as a UCC communication solution and a document management system. These investments served to further improve performance and quality as well as to expand capacities.

The cash flow from operating activities amounted to T € 20,726 and is essentially the result of the positive result for the period of T € 20,575 adjusted for non-cash depreciation of T € 7,626 and other non-cash expenses for provisions amounting to T € 3,719 and non-cash income of € 2,800 thousand. Furthermore, the cash flow from operating activities was negatively affected by the build-up of working capital in the amount of T € 3,108. Income tax payments totaled € 17,931 thousand and are essentially related to the good results of Materna SE in the 2018 and 2019 financial years.

The cash flow from investing activities amounted to -T € 1,807 and is mainly characterized by the investments in property, plant and equipment mentioned under point e). On the other hand there are payments (+ T € 2,716) from the sale of investments.

The cash flow from financing activities amounted to -T € 5,183. This essentially takes into account scheduled and special repayments of bank and shareholder loans.

All investments in intangible and property, plant and equipment as well as the repayments of bank and shareholder loans as well as ongoing interest payments were made from the cash flow from operating activities. The excess amount led to an increase in cash funds of € 13,736 thousand.

In the 2019 financial year, the balance sheet total increased by T € 21,406 to T € 203,283 (previous year: T € 181,877). The liquid funds, consisting of marketable securities as well as cash in hand and bank balances, at T € 75,858 were above the previous year's level of T € 62,968 due to the effects described. The liquid funds amount to 37.3% of the balance sheet total.

The very good liquidity position continues to form a good basis for financing ongoing business activities, the scheduled servicing of liabilities and the cushioning of fluctuations in capacity utilization to a normal extent. The Materna Group's liquidity position continues to be very good. Another credit line that has not yet been exhausted provides the opportunity to bridge short-term liquidity bottlenecks.

e) financial position

The intangible assets decreased in the 2019 financial year by T € 3,870 to T € 9,204. This is mainly due to a special write-off (T € 1,732) of the goodwill from the capital consolidation of the shares in Materna Information & Communications Norway A / S, Lillestrom / Norway, after a revaluation of the hidden reserves as well as scheduled depreciation Software and licenses. In contrast, property, plant and equipment rose by T € 1,049 to T € 9,075, in particular due to investments in a new data center and a new UCC communication solution at Materna SE. Financial assets increased by T € 63. The main reason for this was the deconsolidation of Materna Information & Communications Schweiz AG, Bern / Switzerland, which is in liquidation and no longer conducts any operating business. The shares are now valued at cost.

The investment intensity fell by 2.6 percentage points to 9.2% due to the increased balance sheet total and the special depreciation on goodwill. The coverage ratio I of the fixed assets rose by 144.9 percentage points to 413.0% and continues to show that the fixed assets are financed with equity capital with matching maturities.

The current assets increased by T € 19,497 to T € 169,366. The main reason for this, corresponding to the organic growth, was the increase in trade accounts receivable (+ € 2,725 thousand) and in work in progress and finished services (+ € 4,025 thousand) as well as the higher level of cash and cash equivalents due to the positive operating Earnings increased by T € 12,890. The circulation intensity increased by a total of 0.9 percentage points to 83.3%.

Debt capital also rose by T € 1,617 to T € 125,804. This is mainly due to the high advance payments received (+ € 8,808 thousand). These result, on the one hand, from high advance payments for some projects and, on the other hand, from advance payments received for individual projects that arise at the beginning of the project. There was a decrease in deferred tax liabilities. This results from the reversal of the 6b reserve created in the previous year at Materna SE. The debt capital ratio reached 61.9% (previous year: 68.3%) with total assets up by T € 21,406.

The net liquidity (cash and cash equivalents minus financial liabilities) of the Materna Group was T € 66,354 in the 2019 financial year and thus T € 16,710 above the previous year's level. This increase reflects the cash flow development described above.

The ratio of EBIT (T € 35,583; previous year: T € 36,388) to the average total capital decreased by 4.5 percentage points to 18.5% (previous year: 23.0%). Adjusted for the special effect from the sale of buildings in the previous year, the return on investment rose by 3.7%. The return on average equity was 30.4% (previous year, adjusted for the special effect from the sale of buildings, 35.7%).

f) Financial and non-financial performance indicators

In the Materna Group, the key figures gross profit, sales and incoming orders as well as the operating result are used as financial performance indicators and for internal control. The gross profit is calculated on a project-specific basis from the difference between sales revenues and internal and external directly attributable costs.

The Materna Group also made use of non-financial performance indicators that contribute to the successful management of the company. The training of junior staff and the employment of students were an essential part of the personnel policy. In the 2019 financial year, an average of 88 apprentices were employed in the group of companies (previous year: 83). The further development of employees was also an important success factor for the Materna Group. The range of advanced training courses was continuously expanded and gave employees the opportunity to acquire new knowledge. In addition, employees were encouraged to expand and deepen their qualifications through individual target agreements.

Evaluations of employee dismissals and regular employee surveys were also used to improve employee satisfaction. The project "What matters for you?", Launched at the end of August 2018, has had a positive impact. The employer values mentioned by Materna are finding growing approval. In the 2019 financial year, there was also a significant increase in employee satisfaction with the Materna Group as an employer. On the basis of these findings and evaluations of the employee surveys, the Materna Group is continuously working on

2 Opportunities and Risks of Future Business Development

a) Opportunity and risk report

Risk management is an important part of corporate management. Its tasks include early detection of developments that could endanger the continued existence of the company. The Materna Group has a risk management system that runs through the entire process chain, from the offer phase as part of the acquisition process, through the implementation processes during the process runtime, to the downstream processes such as maintenance, warranty and operation. Here, depending on the phase, those responsible and their approach are precisely determined. Furthermore, there are two essential tools with a test and risk checklist and a risk register, who support the identification of potential risks and their documentation, analysis and assessment. Based on this, measures to deal with the risk are derived and their implementation is subsequently monitored. Risks related to the calculation and execution of larger projects are also monitored.

Like all other companies in the service industry, the Materna Group is subject to general economic and political opportunities and risks. It is exposed to economic and industry-specific risks. In a time of recession, the volatility and cyclical nature of companies' investments in equipment harbor corresponding opportunities and risks on the sales side. Possible effects of future economic and financial crises are delays in approved investments or the suspension of projects. Due to the high export share from Germany within the economy as a whole, export-oriented industrial companies in particular could be severely affected by the decline in incoming orders.

The Materna Group counters business risks with the help of a monthly reporting system that provides an overview of developments in sales, incoming orders, gross profit, EBIT and the most important types of expenses by comparing plan / actual and previous periods. In addition, a margin analysis is carried out at the individual project level. In addition, daily liquidity overviews at Materna SE monitor the development of liquidity. Risks related to the dependency on critical earnings volumes are also observed as a key success factor for corporate development.

The Materna Group offers its range of services abroad through subsidiaries and associated companies, which is associated with corresponding risks with regard to the business success of these companies and the related success of Materna SE's investments. With standardized reporting by the subsidiaries and continuous target / actual analyzes, Materna SE has taken precautions to identify and minimize possible financial risks at an early stage. In addition, the group-wide liquidity development is monitored on a weekly basis for all companies.

The risk management, project initialization and project controlling processes are continuously being further developed. In the opinion of the management, these instruments are suitable for ensuring the timely identification of existing risks that could affect Materna SE and its companies and at the same time support the management of necessary countermeasures.

Risks can arise in the processing of contracts for work and services and fixed prices if the budgeted time frame and costs are exceeded. There is an increased risk here in particular at BL Mobility, as the projects are not only carried out in Germany, but also abroad. These can therefore have a negative impact on the liquidity and earnings position of Materna SE both directly and indirectly via the investments in foreign subsidiaries. Close-knit project controlling that monitors the most important KPIs should minimize these risks and enable countermeasures to be taken at an early stage. Further risks in the cbs business line from insufficient capacity utilization and the associated economic effects have been reduced by further broadening the service portfolio, the target industries and the customer base. Due to the increased involvement of partner companies in the provision of services, cost levels can be flexibly adjusted. With this measure, the company has also successfully counteracted the financial risk resulting from the concentration of trade accounts receivable on a few customers. Due to the increased involvement of partner companies in the provision of services, cost levels can be flexibly adjusted. With this measure, the company has also successfully counteracted the financial risk resulting from the concentration of trade accounts receivable on a few customers.

In the 2019 financial year, Materna SE decided to bundle the passenger handling business assigned to BL Mobility and to transfer it to Materna IPS GmbH, Dortmund, by way of a spin-off in the 2020 financial year. The sub-division is being outsourced including the foreign subsidiary corporations in India, Canada, UK and USA. These were already sold to Materna IPS GmbH in December 2019. This is intended to create a more agile and independent presence on the market and to better exploit the potential in the area of handling processes for airlines and airports based on self-service systems for passengers. To this end, all companies in the sub-division were rebranded and IPS, which stands for Intelligent Passenger Solutions, was included in all company names. Due to its good international positioning, especially on the North American continent, there are fundamentally great opportunities for the Materna Group in the aviation growth market, especially after the restructuring.

At the same time, the major order received from the affiliated company in the USA in fiscal year 2018 at Denver Airport has been delayed due to a dispute between Denver Airport and the general contractor who is responsible for the expansion of the airport. In the meantime, the existing contract with the general contractor has been taken over directly from Denver Airport in order to complete the project. The costs incurred to date due to the delays were claimed by the group company from the general contractor and an agreement was reached in March 2020.

The Denver project entails further risks for Materna SE. For this project, Materna SE has concluded a guarantee framework for the provision of performance and payment bonds in the amount of the order volume to secure the customer contract in the USA. In the event that the guarantee is called upon, the guarantee provider can resort to Materna SE. Here, too, the project controlling and ongoing monitoring of the project should minimize the risks. No circumstances are currently known that could have a material negative future impact on Materna SE from this process.

The impulses for follow-up orders in the USA hoped for by this project are recognizable and offer further growth potential. However, due to the current pandemic, airports and airlines in particular are severely affected as customers in this business area and many projects and negotiations about further projects are delayed or have been temporarily suspended. Another major project in Japan that is on schedule and economically on schedule in connection with the Olympic Games can be seen as positive here.

Further opportunities arise from economic change and the associated digitalization. The IT market with an expected turnover of 95.4 billion euros and a growth of 2.7% according to Bitkom is still a growth driver in the ITC industry. The Materna Group pursues the goal of a comprehensive and holistic offer. With the business line structure with national and international customers, the Materna Group sees itself as well positioned to offer tailor-made technologies for agile, flexible and secure IT. To what extent these forecasts will come true under the given circumstances is questionable. The longer the Corona crisis lasts, the harder it is to estimate the consequences for the economy as a whole and the ICT industry. With a domestic share of sales of 83.6% and a diversified customer base across all industries, the Materna Group is well positioned with a high proportion of customers in the public sector.

The continued development of cbs Corporate Business Solutions Unternehmensberatung GmbH and its global subsidiaries also offers further growth opportunities for the Materna Group. The cbs Group believes that the demand for specific cbs consulting services relating to global transformation projects with the goal of "ONE Digital Enterprise on S / 4HANA", a globally uniform process and system landscape, will continue in the next few years. Here, cbs Corporate Business Solutions Unternehmensberatung GmbH has a customer-oriented range of solutions and also expertise in the SAP S / 4HANA environment, which is continuously developed. For example, the cbs Group has implemented a major S / 4 transformation in the manufacturing industry for the globally active Viessmann Group. In addition, the need for software-supported transformation services is growing rapidly and opening up new business opportunities. The cbs group is therefore investing in the software license business for large corporations.

The spread of the new corona virus (SARS-CoV-2) presents the world with major and previously unknown challenges. The manufacturing industry felt the effects directly and production was partially shut down. This also has a direct impact on the cbs Group. In the short and medium term, customers can implement cost-saving measures that can lead to project postponements, reductions or cancellations on the part of the cbs Group.

The shortage of skilled workers in the ICT industry will remain the limiting factor for growth in services for the foreseeable future. Employee retention and further training for managers and employees are therefore key issues at the Materna Group. Dual training in IT professions is therefore an important focus for the Materna Group. With an average of 88 trainees in a total of four training professions, the Materna Group is a large training company for IT specialists in application development in the chamber district and beyond.

The Materna Group also works with schools and universities. The cooperation with selected universities throughout Germany has been intensified in recent years and is actively used for recruiting. Attempts are made to involve students in all areas at Materna SE during their studies through working student positions and thus to force them to join Materna SE at a later date. In addition to dual training, Materna SE also participates in dual study programs in which dual training at the Chamber of Commerce and Industry and a Bachelor's degree take place in parallel. With all measures, the Materna Group pursues the goal of increasing the attractiveness of school and university graduates as an employer not only in the Ruhr area,

b) Risk reporting on the use of financial instruments

The financial instruments existing in the corporate group include receivables and bank balances. Since the 2019 financial year, Materna SE has also been investing excess liquidity in short-term corporate bonds due to the ongoing low interest rate phase. The aim of finance and risk management is to secure the company's success against financial risks of any kind. The company's management pursues a conservative risk policy. To hedge against the liquidity risk, a liquidity plan is drawn up which gives an overview of the incoming and outgoing money. If default and credit risks are discernible for financial assets, appropriate value adjustments are made. Before entering into a new business relationship, the customer's creditworthiness is always queried. To minimize the risk of default, there is a corresponding accounts receivable management system and an efficient dunning system at the individual company level.

3 Forecast report

The management of Materna SE is planning a total output in the group for the current financial year that, at around € 329 million, is only slightly above the level of the 2019 financial year. An EBIT of € 24.8 million is also expected for the 2020 financial year. This corresponds roughly to a decrease of 30% compared to the 2019 EBIT. The planned EBIT margin is around 7.5%. The decline is due to a different product mix in the planning compared to the result in 2019. The planning assumes a smaller number of high-margin projects. The planning was confirmed by the course of business so far in the first quarter of 2020.

Any effects of the Corona crisis are not noticeable in the first quarter, neither in the capacity utilization nor in the results. The declining economic forecasts for 2020 and the high level of uncertainty due to the coronavirus make a forecast for 2020 as a whole hardly possible. In view of the lockdown measures introduced by the federal government, which will have serious effects on social life and parts of the economy, a decline in economic output can be expected for the entire year 2020. If the order situation worsens or customer orders are postponed or terminated, idle times with corresponding effects on the earnings and financial position are the result. As short-term countermeasures, instruments such as reducing overtime and vacation time as well as short-time work are possible. There are also other options for short-term countermeasures for variable costs, as the Materna Group uses external service providers for its project business. The Materna Group has set up additional processes for early risk detection in order to identify trends in good time. This includes detailed weekly analyzes of the workload of the productive employees, the status of all ongoing projects, the payment behavior of customers, incoming orders and the resilience of the existing order backlog. There are also other options for short-term countermeasures for variable costs, as the Materna Group uses external service providers for its project business. The Materna Group has set up additional processes for early risk detection in order to identify trends in good time. This includes detailed weekly analyzes of the workload of the productive employees, the status of all ongoing projects, the payment behavior of customers, incoming orders and the resilience of the existing order backlog. There are also other options for short-term countermeasures for variable costs, as the Materna Group uses external service providers for its project business. The Materna Group has set up additional processes for early risk detection in order to identify trends in good time. This includes detailed weekly analyzes of the workload of the productive employees, the status of all ongoing projects, the payment behavior of customers, incoming orders and the resilience of the existing order backlog. The Materna Group has set up additional processes for early risk detection in order to identify trends in good time. This includes detailed weekly analyzes of the workload of the productive employees, the status of all ongoing projects, the payment behavior of customers, incoming orders and the resilience of the existing order backlog. The Materna Group has set up additional processes for early risk detection in order to identify trends in good time. This includes detailed weekly analyzes of the workload of the productive employees, the status of all ongoing projects, the payment behavior of customers, incoming orders and the resilience of the existing order backlog.

For the following years, internal and external profit-oriented growth is still assumed for the Materna Group. The measures introduced for greater flexibility and customer proximity in particular, but also the accelerated acquisition of new customers, should contribute to this growth and further expansion of market shares. Nonetheless, the development of individual business areas of the Materna Group also depends on political and economic circumstances. The growth also depends on the skilled workers available on the market who are required for this. However, the longer the Corona crisis lasts, the more difficult it is to foresee the economic consequences.

A targeted expansion of sales activities and increased cross-company cooperation between the various sales teams offer additional opportunities for customers with needs in various fields of application. The Materna-wide use of the sales experience and the respective customer access offers real synergies that are used to strengthen the respective competitive position. In addition, the internal technical know-how is bundled within the framework of regular and group-wide working groups in order to raise further potential in the areas of quality.

Materna SE plans to complete the outsourcing of the passenger handling business, which was initiated in 2019, in the third quarter of 2020. With this approach, Materna SE has already outsourced corporate divisions in the past few years, such as the outsourcing of sub-operations to IQDoQ GmbH, TMT GmbH or agineo GmbH.

For the 2020 financial year, there are no known investment obligations that exceed the usual limits and no specific investments are planned.

4 Corporate Governance Statement

Board:

The Board of Management of Materna SE currently consists of two men, but consisted of one man for the entire 2019 financial year. The current quota of women is therefore 0%. For the period up to June 30, 2022, the target value is 0%.

Management levels:

The first management level at Materna SE consists of 7 Executive Vice Presidents and Senior Vice Presidents. There are 6 men and 1 woman represented. The current quota of women is 14%. For the period up to June 30th, 2022, the target is 20%.

The second management level consists of 24 Vice Presidents. There are 22 men and 2 women represented. The current quota of women is 8%. For the period up to June 30th, 2022, the target is 20%.

Supervisory Board:

With the conversion to an SE, a supervisory board was also set up. This currently consists of 3 men. The current quota of women is therefore 0%. For the period up to June 30, 2022, the target value is 0%.

Dortmund, May 8, 2020

Martin Wibbe, board member / CEO

Michael Knopp, board member / CFO

Consolidated balance sheet as of December 31, 2019

assets

	EUR	EUR	December 31, 2018 KEUR
A. Fixed assets			
I. Intangible Assets			
1. Software and licenses acquired against payment	973,338.52		1,724
2. Goodwill	8,021,571.02		11,343
3. Advance payments made	209,024.11		6th
		9,203,933.65	13,073
II. Tangible assets			
1. Land and buildings	3,216,337.28		3,193
2. Other equipment, factory and office equipment	5,855,350.61		4,612
3. Advance payments and assets under construction	3,564.60		222
		9,075,252.49	8,027
III. Financial assets			
1. Shares in affiliated companies	78,289.47		26th
2. Shares in associated companies	352,416.07		0
3. Securities held as fixed assets	0.00		340
4. Reinsurance claims from life insurance	51,977.75		54
		482,683.29	420
		18,761,869.43	21,520
B. Current Assets			
I. Inventories			
1. Work in progress	16,404,309.38		13,259
2. Finished products, licenses and goods	1,465,315.85		585
3. Advance payments made	515,400.40		518
		18,385,025.63	14,362
II. Receivables and other assets			
1. Trade accounts receivable	70,501,116.93		67,776

	EUR	EUR	December 31, 2018 KEUR
2. Receivables from affiliated companies	6,352.64		82
3. Receivables from associated companies	3,414.10		0
4. Other assets	4,612,712.14		4,681
		75,123,595.81	72,539
III. Securities			
Other securities		21,990,835.89	0
IV. Cash in hand and bank balances		53,866,789.13	62,969
		169,366,246.46	149,870
C. Prepaid expenses		156,091,555.02	10,404
D. Active difference from asset offsetting		63,094.08	83
		203,282,764.99	181,877

liabilities

	EUR	EUR	December 31, 2018 KEUR
A. Equity			
I. Drawn capital		7,800,000.00	260
II. Retained earnings			
1. Legal Reserve	470,099.70		26th
2. Other retained earnings	25,000,000.00		9,669
		25,470,099.70	9,695
III. Difference in equity from currency conversion		-195,330.17	-347
IV. Group net profit		44,404,078.57	47,395
V. Non-controlling interests		0.00	687
		77,478,848.10	57,690
B. Provisions			
1. Provisions for pensions and similar obligations	11,096,160.42		12,508
2. Tax provisions	3,921,552.95		6,872
3. Other provisions	32,050,378.95		30,354
		47,068,092.32	49,734
C. Liabilities			
1. Liabilities to banks	1,360,360.92		4,498
2. Advance payments received on orders	28,580,101.94		19,772
3. Trade accounts payable	13,764,098.60		14,796
4. Liabilities to shareholders	8,142,788.00		8,826
5. Liabilities to affiliated companies	39,087.80		20th
6. Liabilities to associated companies	4,050.00		0
7. Other Liabilities	9,499,790.80		9,693
of which from taxes EUR 8,124,418.98 (previous year: EUR 8,507 thousand)			
thereof in the context of social security EUR 215,476.25 (previous year: EUR 225 thousand)			
		61,390,278.06	57,605
D. Prepaid expenses		17,345,546.51	14,091
E. Deferred Tax Liabilities		0.00	2,757
		203,282,764.99	181,877

Consolidated income statement for 2019

	EUR	EUR	2018 KEUR
1. Sales	323,839,299.28		288,575
2. Increase in stocks of finished goods and work in progress	3,144,850.97		3,910
3. Other operating income	12,560,309.47		19,099
thereof income from currency translation EUR 568,141.92 (previous year: EUR 710 thousand)			
		339,544,459.72	311,584
4. Cost of materials			
a) Expenses for purchased licenses and goods	-7,887,015.29		-8,323

	EUR	EUR	2018 KEUR
b) Expenses for purchased services	-74,700,912.69		-65,516
5. Personnel expenses			
a) Wages and salaries	146,984,827.83		-134,636
b) Social security and pension costs	-25,161,120.65		-22,946
of which for pensions EUR -2,170,001.82 (previous year: EUR -2,203 thousand)			
6. Depreciation on intangible assets and property, plant and equipment	-7,625,615.14		-5,675
7. Other operating expenses	-41,601,873.04		-38,100
thereof expenses from currency conversion EUR -492,619.04 (previous year: EUR -677 thousand)			
thereof expenses from the application of Articles 66 and 67 Paragraphs 1 to 5 EGHGB (transitional provisions to BilMoG) EUR -145,522.85 (previous year: EUR -146 thousand)			
		-303,961,364.64	-275.196
8. Income from participations	33,177.21		0
9. Other Interest and Similar Income	25,623.60		1,081
10. Depreciation on financial assets	0.00		-14
11. Interest and Similar Expenses	-1,248,064.87		-1,143
of which expenses from compounding EUR -31,807.84 (previous year: EUR -61 thousand)			
		-1,189,264.06	-76
12. Taxes on income and earnings		-13,818,952.95	-7,750
13. Earnings after taxes / consolidated net income		20,574,878.07	28,562
14. Profit carried forward from the previous year		47,395,072.91	28,802
15. Allocations to retained earnings			
a) into the legal reserve		-444,099.70	-26
b) to other revenue reserves		-22,871,250.13	-9,669
16. Profit due to non-controlling interests		-256,442.02	-239
17. Change in the scope of consolidation		5,919.44	-35
18. Consolidated balance sheet profit		44,404,078.57	47,395

Consolidated cash flow statement for 2019

		2018 KEUR	2018 KEUR
1. Cash flow from operating activities			
Profit or loss for the period (including minority interests)		20,575	28,562
Depreciation on fixed assets		7,626	5,689
Increase / decrease (-) in provisions		3,719	7,278
Other non-cash expenses / income (-)		-2,800	-365
Gains (-) / losses from asset disposals		-16	-12,895
Income tax expense		13,819	7,750
Increase (-) / decrease in inventories, trade receivables and other assets		-15,044	-12,875
Increase / decrease (-) in trade payables and other liabilities		11,936	9,369
Interest expenses		1,222	62
Other investment income (-)		-33	0
Expenses (-) from extraordinary items		-2,347	146
Payments from extraordinary items		0	1,065
Income tax payments (-)		-17,931	-2,474
Cash generated from operations		20,726	31,312
2. Cash flow from investing activities			
Payments received from the disposal of intangible assets		19th	1
Payments received from the disposal of items of property, plant and equipment		143	15,409
Payments (-) for investments in property, plant and equipment		-4,274	-6,423
Inpayments from the disposal of financial assets			
Payments (-) for investments in intangible assets		-755	-1,382
Inpayments from the disposal of financial assets		340	141
Payments (-) for investments in financial assets		0	-1
Incoming payments from disposals from the scope of consolidation		2,716	0
Payments (-) for additions to the scope of consolidation		-55	-4,374
Interest received		26th	17th
Dividends received		33	0

	KEUR	2018 KEUR
Cash flow from investing activities	-1,807	3,388
3. Cash flow from financing activities		
Payments from taking out (financial) loans	0	1,451
Payments from equity capital reductions to other shareholders	-165	0
Payouts (-) from the repayment of (financial) loans	-3,820	-3,420
Interest Paid	-861	-1,000
Dividends paid to other shareholders	-337	-271
Cash flow from financing activities	-5,183	-3,240
4. Cash funds at the end of the period		
Cash change in financial resources (subtotals 1 - 3)	13,736	31,460
Changes in cash and cash equivalents due to exchange rates and valuation	67	-82
Changes in financial resources due to the scope of consolidation	-913	53
Cash funds at the beginning of the period	62,968	31,537
Cash funds at the end of the period	75,858	62,968
5. Composition of financial resources		
Liquid funds	53,867	62,968
Securities	21,991	0
Cash funds at the end of the period	75,858	62,968

Consolidated statement of changes in equity for 2019

	Parent Company Equity				Difference in equity from currency conversion EUR	
	Subscribed capital EUR	legal reserve EUR	Retained earnings			
			Other retained earnings EUR	Total retained earnings EUR		
01/01/2018	260,000.00	0.00	0.00	0.00	-264,277.11	
Consolidated net income						
Allocation to retained earnings		26,000.00	9,668,749.87	9,694,749.87		
Profit due to non-controlling interests						
Currency conversion					-82,840.80	
Change in the scope of consolidation						
Distribution 2018						
December 31, 2018	260,000.00	26,000.00	9,668,749.87	9,694,749.87	-347,117.91	
01/01/2019	260,000.00	26,000.00	9,668,749.87	9,694,749.87	-347,117.91	
Consolidated net income						
Capital increase from own resources	7,540,000.00		-7,540,000.00	-7,540,000.00		
Allocation to the reserves		444,099.70	22,871,250.13	23,315,349.83		
Profit due to non-controlling interests						
Currency conversion					151,787.74	
Change in the scope of consolidation						
Distribution 2019						
Other changes						
December 31, 2019	7,800,000.00	470,099.70	25,000,000.00	25,470,099.70	-195,330.17	
	Parent Company Equity				Non-controlling interests	Group equity
	Consolidated net profit		Equity		Equity attributable to non-controlling interests	
	EUR		EUR		EUR	EUR
01/01/2018	28,802,287.69		28,798,010.58		1,018,183.40	29,816,193.98
Consolidated net income	28,562,235.71		28,562,235.71			28,562,235.71
Allocation to retained earnings	-9,694,749.87		0.00			
Profit due to non-controlling interests	-239,162.44		-239,162.44		239,162.44	0.00
Currency conversion			-82,840.80			-82,840.80
Change in the scope of consolidation	-35,538.18		-35,538.18		-298,949.59	-334,487.77

	Parent Company Equity		Non-controlling interests	Group equity
	Consolidated net profit	Equity	Equity attributable to non-controlling interests	
	EUR	EUR	EUR	EUR
Distribution 2018		0.00	-271,031.18	-271,031.18
December 31, 2018	47,395,072.91	57,002,704.87	687,365.07	57,690,069.94
01/01/2019	47,395,072.91	57,002,704.87	687,365.07	57,690,069.94
Consolidated net income	20,574,878.07	20,574,878.07		20,574,878.07
Capital increase from own resources	0.00	0.00		
Allocation to the reserves	-23,315,349.83	0.00		
Profit due to non-controlling interests	-256,442.02	-256,442.02	256,442.02	0.00
Currency conversion		151,787.74		151,787.74
Change in the scope of consolidation	5,919.44	5,919.44	-442,291.87	-436,372.43
Distribution 2019		0.00	-336,641.92	-336,641.92
Other changes			-164,873.30	-164,873.30
December 31, 2019	44,404,078.57	77,478,848.10	0.00	77,478,848.10

Notes to the consolidated financial statements for the 2019 financial year

General Information

The present consolidated financial statements were prepared in accordance with §§ 290 ff. HGB.

The consolidated financial statements were prepared in accordance with generally accepted accounting principles. The regulations for large corporations within the meaning of Section 267 (3) of the German Commercial Code (HGB) apply to the Group's accounting.

The structure of the consolidated balance sheet and the consolidated income statement corresponds to Sections 266 and 275 of the German Commercial Code (HGB), supplemented by special group-specific items, whereby the total cost method is used for the consolidated income statement.

Register information

The parent company is registered under the company Materna Information & Communications SE (Materna SE for short) with its registered office in Dortmund in the commercial register of the Dortmund Local Court under the number HRB 30301. The company is a Societas Europaea (SE) and is subject to German law.

Scope of consolidation

In addition to Materna Information & Communications SE, Dortmund, the scope of consolidation includes the following 7 domestic and 13 foreign subsidiaries, which are to be consolidated due to the majority of voting rights held by Materna SE in accordance with Section 290 (2) No. 1 HGB.

Details of the names and registered offices of the companies that were included in the consolidated financial statements as part of the full consolidation:

Name, seat	Share of capital in%
Materna Information & Communications SE, Dortmund	(Parent company)
IQDoQ GmbH, Bad Vilbel	100.00
INFORA Society for Information, Organization and Automation mbH, Cologne	100.00
MATERNA TMT GmbH, Dortmund	100.00
Materna IPS GmbH, Dortmund	100.00
cbs Corporate Business Solutions Unternehmensberatung GmbH, Heidelberg	100.00
cbs Schweiz AG, Zurich / Switzerland *)	100.00
cbs Corporate Business Solutions Asia Pacific Pte. Ltd., Singapore / Republic of Singapore *)	100.00
cbs Transformation Consulting Spain, SL, Barcelona / Spain *)	100.00
cbs Corporate Business Solutions Malaysia Sdn. Bhd., Kuala Lumpur / Malaysia *)	100.00
cbs Corporate Business Solutions America Inc., Philadelphia / USA *)	100.00
Leogistics GmbH, Hamburg *)	100.00
agineo GmbH, Aachen	100.00
agineo AG, Köniz / Switzerland *)	100.00
Materna Information & Communications AB, Kista / Sweden	100.00
Materna Information & Communications sro, Bratislava / Slovakia	100.00
Materna IPS UK PLC, Henley-on-Thames / Great Britain *)	100.00
Materna IPS USA Corp., Orlando / USA *)	100.00
Materna IPS Canada Inc., Toronto / Canada *)	100.00
MATERNA Information & Communications India Pvt. Ltd., Bangalore / India *)	100.00
Materna Information & Communications Norway A / S, Lillestrom / Norway	100.00

*) indirect participation

Information about the name, registered office and share in the capital of the associated company:

On November 27, 2019, 40% of the shares in Materna Communications as, Prague / Czech Republic, were sold, reducing the stake from 75% to 35%. Materna Communications as, Prague / Czech Republic, was included in the consolidated financial statements via associated companies in accordance with the statutory provisions (§§ 311, 312 HGB). The share in the capital and in the voting rights is 35%. Materna Communications as, Prague / Czech Republic, uses the same accounting and valuation methods as the parent company.

Materna Communications sro, Bratislava / Slovakia, which was not included in the consolidated financial statements in the previous year in accordance with Section 296 (2) HGB and Section 311 (2) HGB, was liquidated in August. In accordance with Section 296 (2) of the German Commercial Code (HGB) and Section 311 (2) of the German Commercial Code (HGB), it has not been included in the consolidated financial statements for the following company, since the company aims to provide a true and fair view of the Group's assets, financial and earnings position has only a subordinate meaning. This is the following company:

Name, seat	Share of capital in%
snacc-it GmbH, Aachen *)	50.00
*) indirect participation	

Further change in the scope of consolidation

In February, the stake in Trust Center Mobile Payment GmbH, Lünebug / Germany, was increased from 50% to 100%. In the course of the year the company was renamed Materna IPS GmbH, Dortmund.

In March, all shares in Message Mobile GmbH, Lüneburg, were sold. Materna Information & Communications Italy Srl, Milan / Italy, was liquidated in October. The companies were accordingly deconsolidated at the time of liquidation or sale.

In connection with this sale of the shares in Materna Communications as, Prague / Czech Republic, the indirectly held companies Materna Communications Sp. Zoo, Warsaw / Poland, Mobile Communications sro, Prague / Czech Republic, and Quadrupie as, Prague / Czech Republic, deconsolidated, as the requirements of §§ 290, 310 and 311 HGB with regard to the consolidation methods mentioned there no longer apply to these companies.

Materna Information & Communications Schweiz AG, Bern / Switzerland, is in liquidation and no longer conducts any operational business. It was also deconsolidated on the basis of the submitted liquidation balance sheet in accordance with Section 296 (2) HGB.

Information on accounting and valuation methods

The following accounting and valuation methods were essentially unchanged for the preparation of the consolidated financial statements. The parent company reports equity and the income statement in accordance with the company law additions to the Commercial Code. In the 2019 financial year, the parent company reorganized its business areas and merged the IT Factory and Communications business lines. The distribution of sales among the business areas follows the reorganization. The 2018 financial year was adjusted accordingly.

The financial statements of the companies included in the consolidated financial statements were drawn up according to uniform accounting and valuation principles.

The intangible assets acquired in return for payment and the tangible fixed assets were valued at the cost of acquisition or production and, if depreciable, reduced by scheduled depreciation. Unscheduled depreciation was made in the event of an expected permanent impairment. In addition to the directly attributable costs, necessary overheads are also included in the production costs. Interest on borrowed capital was not included in the production costs. Depreciation is carried out on a straight-line basis based on the expected useful life of the assets. Low-value assets up to a net individual value of € 800.00 are fully written off or written off in the year of acquisition. recognized as an expense; their immediate departure was assumed.

Goodwill from the initial consolidation of shares is amortized over a period of 10 years, since the company's business is a business with typical life cycles of 10 years.

In the case of financial assets, shares, securities and reinsurance claims from life insurances are shown at acquisition costs or lower fair values, and loans are generally shown at their nominal value.

The inventories were valued at the cost of acquisition or manufacture. If the daily values were lower on the balance sheet date, these were used. The work in progress is shown at the manufacturing cost. In addition to all individual costs that have to be capitalized, the production costs also include overhead costs in the form of a reasonable surcharge on the individual costs. General administration costs are not capitalized. Interest on borrowed capital was also not included in the production costs. Merchandise is valued at acquisition cost or lower market price.

Receivables and other assets were stated at their nominal values, taking into account all identifiable risks. Identifiable individual risks are recorded through value adjustments. The general credit risk is taken into account by a general value adjustment of 1.0% on the net receivables that have not been individually adjusted.

Marketable securities, cash in hand and bank balances are valued at face value.

The prepaid expenses include expenses before the balance sheet date that lead to expenses in the coming periods.

Deferred tax assets are recognized in accordance with Section 274 of the German Commercial Code (HGB), taking into account company-specific tax rates. The calculation was based on tax rates between 19% and 32.8%. Active and passive tax deferrals are offset. Active tax deferrals or active deferred tax surpluses are not capitalized in exercising the option under Section 274 (1) sentence 2 of the German Commercial Code. Deferred tax assets are based on differences in financial assets, property, plant and equipment, receivables and provisions.

The share capital as well as the revenue reserves are reported at their nominal value.

The provisions for pensions and similar obligations are calculated according to the modified entry age method using the "2018 G mortality tables" by Prof. Dr. Klaus Heubeck investigates. The average market interest rate of the last ten years with a flat remaining term of 15 years of 2.71% (previous year 3.21%) in accordance with the Provision Discounting Ordinance of November 18, 2009 was used for discounting. Expected salary increases were 0.0% to 2.0% (previous year 0.0% to 2.0%) and expected pension increases of 4.0% (previous year 4.0%) for former managing directors and 0.0 % to 2.0% (previous year 0.0% to 2.0%) taken into account for other employees. The fluctuation was taken into account at a rate of 0.0% (previous year: 0.0%).

By exercising the option under Art. 67 Paragraph 1 Sentence 1 EGHGB, the change in the accounting for provisions according to §§ 249 Paragraph 1 Sentence 1.253 Paragraph 1 Sentence 2, Paragraph 2 in conjunction with § 298 HGB by the Accounting Law Modernization Act (BilMoG) The resulting allocation is evenly distributed over the maximum period of 15 years.

Securities-based pension commitments are valued at the fair value of the securities in accordance with Section 298 (1) in conjunction with Section 253 (1) sentence 3 HGB, provided this exceeds the guaranteed minimum amount (discounted settlement amount of the guarantee). Congruently reinsured pension commitments, the amount of which is therefore determined exclusively according to the fair value of a reinsurance claim, are valued at this insofar as it exceeds the guaranteed minimum amount (discounted fulfillment amount of the guarantee). A reinsurance is to be described as congruent, if the payments resulting from it are congruent with the payments to the beneficiary in terms of both amount and timing. The fair value of a reinsurance claim consists of the so-called plan-based reserve capital of the insurance company plus any available credit from premium refunds (so-called profit sharing).

The assets that are used exclusively to meet the pension obligations and are not accessible to all other creditors (cover assets within the meaning of Section 246 (2) sentence 2 HGB) were offset against the provisions at their fair value. Taking into account the lower of cost or market principle, the acquisition costs of the assets correspond to the amortized acquisition costs and thus the fair value i. S. d. Section 255 (4) sentence 4 HGB. This value also corresponds to the tax asset value.

The tax provisions and the other provisions take into account all uncertain liabilities and impending losses from pending transactions. They are set in the amount of the settlement amount necessary according to a reasonable commercial assessment. Provisions with a remaining term of more than one year have been discounted.

The provisions for anniversaries are determined using the modified entry age method in accordance with the actuarial report. The average market interest rate of the last seven years with a flat remaining term of 15 years of 1.97% (previous year: 2.32%) in accordance with the Provision Discounting Ordinance of November 18, 2009 was used for discounting. Expected salary increases were taken into account with 2.5% - 5% (previous year 2.5%) and expected increases in the contribution assessment ceiling with 2.5% (previous year 2.5%). The fluctuation was taken into account at a rate of 7% - 10.0% (previous year: 10.0%).

Liabilities were shown at the settlement amount.

The deferred income includes income before the balance sheet date, insofar as it leads to income after the balance sheet date.

Deferred tax liabilities were recognized in accordance with Section 274 of the German Commercial Code (HGB), taking into account a company-specific tax rate of 32.8%. Active and passive tax deferrals are offset.

Currency conversion

The currency conversion of business transactions in a foreign currency takes place at the exchange rate on the day of occurrence. Receivables and liabilities in foreign currency existing on the balance sheet date with remaining terms of up to one year are valued at the mean spot exchange rate on the balance sheet date. In this respect, the realization and acquisition cost principle in accordance with Section 256a HGB is not applied. The resultant income and expenses are shown separately under other operating income and other operating expenses in the consolidated income statement as a note of which.

The annual financial statements of the foreign subsidiaries included were converted into euros in accordance with Section 308a of the German Commercial Code using the modified reporting date method. The assets and debts of the included company are converted using the closing rate and the equity capital is converted using historical rates.

The items in the income statement are converted into euros at the average rate.

Translation differences are recognized directly in equity under the item "Equity difference from currency translation".

Consolidation principles

The capital consolidation is carried out according to the revaluation method (Section 301 (1) sentence 2 HGB) by offsetting the share of the parent company with the proportionate, revalued equity of the subsidiary (in accordance with Section 301 (2) sentence 1 HGB) at the time the company was established Has become a subsidiary.

The valuation of the shares belonging to the parent company is offset against the amount of the subsidiary's equity attributable to these shares. Equity is stated at the amount that corresponds to the fair value of the assets, liabilities, prepaid expenses and special items to be included in the consolidated financial statements at the time of consolidation. Any difference remaining after offsetting is shown as goodwill if it arises on the assets side and, if it arises on the liabilities side, under the item "Negative difference from capital consolidation" after equity.

The time value of the assets, debts, prepaid expenses and special items to be included in the consolidated financial statements and the relevant point in time for capital consolidation is generally the one at which the company became a subsidiary. In the case of subsidiaries that were previously not included in accordance with Section 296 of the German Commercial Code, the date of inclusion of the subsidiary in the consolidated financial statements is decisive.

The capital consolidation for companies or for purchased capital shares that were consolidated for the first time before January 1, 2010, was carried out using the book value method at the time of acquisition or at the time of initial consolidation. As far as possible, we allocated the amounts to be capitalized to the relevant asset items; the remaining amount was shown as goodwill. We recorded negative differences from capital consolidation within equity.

Debt consolidation takes place in accordance with Section 303 (1) of the German Commercial Code (HGB) by eliminating the receivables and the corresponding liabilities between the companies included in the consolidated financial statements.

Consolidation of expenses and income is carried out in accordance with Section 305 (1) of the German Commercial Code (HGB) by offsetting internal sales and other operating income between the group companies with the related expenses. The same applies to other interest and similar income that was offset against the corresponding expenses. The profit distributions to group companies have been eliminated.

Notes on the consolidated balance sheet

Capital assets

The development of the individual items of the fixed assets can be seen from the fixed asset schedule, including the depreciation of the financial year.

A special write-off of € 1,731,877.28 was made on the difference capitalized as goodwill from the capital consolidation of the shares in Materna Information & Communications Norway A / S, Lillestrom / Norway, after a revaluation of the hidden reserves .

Receivables and other assets

The receivables from affiliated companies include trade receivables in the amount of € 6,352.64 (previous year: € 81,996.03).

Receivables from associated companies include trade receivables amounting to € 3,414.10 (previous year € 0.00).

The other assets do not include any other assets with a remaining term of more than one year (previous year: € 74,628.08).

Equity

The development of the group's equity is shown in the consolidated equity statement attached as Annex 4.

The profit carried forward contained in the balance sheet profit amounts to € 47,395,072.91.

Pension provisions

The deficit to be accumulated in future periods in accordance with Section 298 (1) HGB in conjunction with Art. 67 (2) EGHGB is € 709 thousand.

The difference according to Section 253 (6) of the German Commercial Code (HGB) is € 1,154 thousand and is subject to a distribution block.

Information on offsetting according to Section 298 (1) in conjunction with Section 246 (2) sentence 2 HGB:

	2019	2018
	T €	T €
Settlement amount of the offset debts	1,540	1,510
Acquisition costs of the assets	1,221	1,270
Fair value of the assets	1,354	1,420
Charged expenses	0	0
Offset income	10	9

As a result of the individual valuation of the pension commitments, the offsetting results in an active difference from the asset offset in the amount of T € 63 and a pension provision in the amount of T € 249.

Other provisions

The following types of provisions have been summarized under the item other provisions:

	2019	2018
	€	€
Outstanding commissions employees	19,699,869.17	16,045,929.54
Employer's liability insurance association / levy for severely disabled persons	595,170.97	588,962.23
Overtime worked	777,030.18	765,454.88
Remaining vacation outstanding	5,875,618.36	5,417,581.93
other personnel provisions	2,301,881.29	3,338,993.03
Provision warranty	1,080,525.65	1,178,428.08
Annual financial statements and audit costs	258,947.61	249,626.72
Outstanding incoming invoices	964,605.68	1,951,727.49
Other provisions	496,730.04	816,985.11
total	32,050,378.95	30,353,689.01
Deferred taxes		

The deferred tax balances developed as follows in the financial year:

	01/01/2019	change	December 31, 2019
	T €	T €	T €
Deferred tax assets according to § 274 HGB	1,475	84	1,559
Deferred tax liabilities according to § 274 HGB	-4,231	4,135	-96
	-2,756	4,219	1,463
Deferred tax assets according to § 306 HGB	0	0	0
Deferred tax liabilities according to § 306 HGB	0	0	0
	0	0	0
total	-2,756	4,219	1,463

Contingent Liabilities

As of the balance sheet date, there were no contingent liabilities in accordance with Section 251 of the HGB.

Other financial obligations

As of the balance sheet date, there were other financial obligations from rental, leasing and leasing obligations as well as from obligations from maintenance contracts in the amount of T € 33,450.

The leasing liabilities are primarily the leasing of company vehicles. The focus here is on the risk-free financing aspect.

Valuation units

No valuation units were formed in the 2019 financial year.

Notes to the consolidated income statement

Sales

Regionally, sales are broken down as follows:

	2019	2018
	€ million	€ million
inland	270.7	240.5
EU countries	34.4	28.1
Third country	18.7	20.0
total	323.8	288.6

The sales revenues are distributed among the business areas as follows:

	2019	2018
	€ million	€ million
BL Public Sector	71.9	65.1
BL IT Factory	105.3	96.7
BL Digital Enterprise	29.1	28.9
BL Mobility	25.7	18.4
BL cbs	91.8	79.5
total	323.8	288.6

Other company income

Significant out-of-period income was income from the reversal of provisions in the amount of € 3,073 thousand. The income from the reversal of provisions includes amounts of extraordinary importance and magnitude in the amount of T € 2,250. They relate to the release of provisions for pensions and similar obligations.

Other operating expenses

The other operating expenses include extraordinary expenses in the amount of € 145,522.85, which result from the application of Art. 66 and Art. 67 Paragraphs 1 to 5 EGHGB (transitional provisions to BilMoG) from the valuation of pension provisions.

The expenses unrelated to the accounting period amount to € 78,371.85 and mainly relate to the operating cost bills of the previous year.

Other operating expenses include operating taxes (property and vehicle taxes) in the amount of € 183,925.73 (previous year: € 264,736.11).

Depreciation on financial assets

The unscheduled depreciation on the financial assets amounts to € 0.00 (previous year: € 14,442.29).

Taxes on income and earnings

To adjust the tax burden from the individual financial statements to the consolidated result, deferred tax income of € 2,757k (previous year: € -245k) was included in income taxes.

Payments to minority shareholders

In the past financial year, T € 337 in profit distributions was paid to the minority shareholders of the group.

Other Information

Board of the parent company

In the 2019 financial year, the following persons belonged to the board of Materna SE:

Mr. Michael Knopp, CFO and Management Board, Ratingen

Mr. Martin Wibbe, CEO and Board Member, Bergisch Gladbach (from April 1st, 2020)

Due to the indirect effect of Section 286 (IV) HGB, the total remuneration of the Management Board of Materna Information & Communications SE is not stated.

For former members of the management and the executive board as well as their surviving dependents, the remuneration amounted to € 662,589.64 (previous year: € 1,077,015.46).

The pension provisions for former members of the management and their surviving dependents are set up in full and amount to € 10,136,766.34 as of December 31, 2019 (previous year: € 9,410,859.60).

Supervisory board of the parent company

The following persons belonged to the Supervisory Board of Materna SE in the 2019 financial year:

Dr. Winfried Materna, chairman, company founder

Mr. Helmut an de Meulen, vice chairman, company founder

Mr Dieter Kraß, works council member, project manager

The members of the Supervisory Board of Materna SE did not receive any remuneration for their work as members of the body in the 2019 financial year.

Examination and consultation fees

The fee for the Group's auditor recognized as an expense in the financial year is T € 90 for audit services and T € 3 for other services.

number of employees

An average of 2,243 (previous year: 2,063) employees were employed in the 2019 financial year.

These are the employees of the companies included in the consolidation. These are divided as follows:

	2019	2018
Headquarters Services	104	85
ZE Shared Delivery (SD)	0	114
ZE Corporate Development	32	6th
ZE Marketing & Communication	21st	19th
ZE Central Sales	0	21st
ZE Managed Services	104	101
BL Communications	0	58
BL Public Sector	484	386
BL Digital Enterprise	230	254
BL IT Factory	520	417
BL Mobility	166	137
BL cbs	582	465
total	2,243	2,063

Supplementary report

With the outbreak of the coronavirus and the associated political shutdown measures, negative consequences for the business development and VFE situation of the group are to be expected in the 2020 financial year as these measures increase. In the first quarter the group is still at budget level.

No other special events occurred after the reporting date.

Proposal for the appropriation of profits

According to German stock corporation law, the dividend is distributed from the balance sheet profit shown in the annual financial statements of Materna Information & Communications SE under commercial law:

It will be proposed to the Annual General Meeting on June 29, 2020 that a dividend of € 1.40 per qualifying share be distributed from Materna Information & Communications SE's net retained profits of € 25,285,589.18 for the 2019 financial year. If this dividend proposal is accepted, the total dividend payable on the shares

entitled to dividends on the day the annual financial statements are approved will be € 10,920,000.00. It is proposed that the remaining net profit of € 14,365,589.18 be carried forward to the new account.

Dortmund, May 8, 2020

Martin Wibbe, board member / CEO

Michael Knopp, board member / CFO

Development of group assets in 2019

	01/01/2019 EUR	Acquisition and production costs			
		Currency change EUR	Accesses EUR	Additions from changes in the scope of consolidation EUR	Departures EUR
I. Intangible Assets					
1. Software and licenses acquired against payment	11,924,645.02	38,794.88	550,331.38	0.00	2,779,652.44
2. Goodwill	29,431,178.86	0.00	0.00	0.00	0.00
3. Advance payments made	7,313.38	171.33	205,000.00	0.00	2,158.40
	41,363,137.26	38,966.21	755,331.38	0.00	2,781,810.84
II. Tangible assets					
1. Land and buildings	4,753,792.43	59.36	432,377.67	0.00	0.00
2. Other equipment, factory and office equipment	20,583,400.57	6,699.85	3,838,100.51	0.00	2,020,298.34
3. Advance payments and assets under construction	222,015.98	0.00	3,564.60	0.00	0.00
	25,559,208.98	6,759.21	4,274,042.78	0.00	2,020,298.34
III. Financial assets					
1. Shares in affiliated companies	35,086.80	71.81	0.00	65,789.47	18,728.61
2. Loans to affiliated companies	8,182.56	27.42	0.00	0.00	8,209.98
3. Shares in associated companies	0.00	0.00	0.00	352,416.07	0.00
4. Securities held as fixed assets	340,000.00	0.00	0.00	0.00	340,000.00
5. Reinsurance claims from life insurance	53,562.63	0.00	0.00	0.00	1,584.88
	436,831.99	99.23	0.00	418,205.54	368,523.47
	67,359,178.23	45,824.65	5,029,374.16	418,205.54	5,170,632.65

	Acquisition and production costs		Accumulated depreciation		
	Disposals from changes in the scope of consolidation EUR	Rebooking EUR	December 31, 2019 EUR	01/01/2019 EUR	Currency change EUR
I. Intangible Assets					
1. Software and licenses acquired against payment	-279,527.27	-2,595.00	9,451,996.57	10,200,621.84	33,081.24
2. Goodwill	-364,849.53	0.00	29,066,329.33	18,087,832.92	0.00
3. Advance payments made	0.00	0.00	210,326.31	926.38	19.79
	-644,376.80	-2,595.00	38,728,652.21	28,289,381.14	33,101.03
II. Tangible assets					
1. Land and buildings	-6,138.66	0.00	5,180,090.80	1,560,839.99	1.98
2. Other equipment, factory and office equipment	-563,394.77	224,610.98	22,069,118.80	15,971,763.88	5,711.32
3. Advance payments and assets under construction	0.00	-222,015.98	3,564.60	0.00	0.00
	-569,533.43	2,595.00	27,252,774.20	17,532,603.87	5,713.30
III. Financial assets					
1. Shares in affiliated companies	-3,930.00	0.00	78,289.47	8,923.10	56.50
2. Loans to affiliated companies	0.00	0.00	0.00	8,182.56	27.42
3. Shares in associated companies	0.00	0.00	352,416.07	0.00	0.00
4. Securities held as fixed assets	0.00	0.00	0.00	0.00	0.00
5. Reinsurance claims from life insurance	0.00	0.00	51,977.75	0.00	0.00
	-3,930.00	0.00	482,683.29	17,105.66	83.92
	-1,217,840.23	0.00	66,464,109.70	45,839,090.67	38,898.25

Accumulated depreciation

Accesses EUR	Departures EUR	Disposals from changes in the scope of consolidation EUR	December 31, 2019 EUR
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	Accesses EUR	Departures EUR	Accumulated depreciation	
			Disposals from changes in the scope of consolidation EUR	December 31, 2019 EUR
I. Intangible Assets				
1. Software and licenses acquired against payment	1,249,212.66	2,762,495.98	241,761.71	8,478,658.05
2. Goodwill	3,321,774.92	0.00	364,849.53	21,044,758.31
3. Advance payments made	356.03	0.00	0.00	1,302.20
	4,571,343.61	2,762,495.98	606,611.24	29,524,718.56
II. Tangible assets				
1. Land and buildings	403,116.19	0.00	204.64	1,963,753.52
2. Other equipment, factory and office equipment	2,651,155.34	1,893,333.43	521,528.92	16,213,768.19
3. Advance payments and assets under construction	0.00	0.00	0.00	0.00
	3,054,271.53	1,893,333.43	521,733.56	18,777,521.71
III. Financial assets				
1. Shares in affiliated companies	0.00	6,228.60	2,751.00	0.00
2. Loans to affiliated companies	0.00	8,209.98	0.00	0.00
3. Shares in associated companies	0.00	0.00	0.00	0.00
4. Securities held as fixed assets	0.00	0.00	0.00	0.00
5. Reinsurance claims from life insurance	0.00	0.00	0.00	0.00
	0.00	14,438.58	2,751.00	0.00
	7,625,615.14	4,670,267.99	1,131,095.80	47,702,240.27

	Book values	
	December 31, 2019 EUR	December 31, 2018 KEUR
I. Intangible Assets		
1. Software and licenses acquired against payment	973,338.52	1,724
2. Goodwill	8,021,571.02	11,343
3. Advance payments made	209,024.11	6th
	9,203,933.65	13,073
II. Tangible assets		
1. Land and buildings	3,216,337.28	3,193
2. Other equipment, factory and office equipment	5,855,350.61	4,612
3. Advance payments and assets under construction	3,564.60	222
	9,075,252.49	8,027
III. Financial assets		
1. Shares in affiliated companies	78,289.47	26th
2. Loans to affiliated companies	0.00	0
3. Shares in associated companies	352,416.07	0
4. Securities held as fixed assets	0.00	340
5. Reinsurance claims from life insurance	51,977.75	54
	482,683.29	420
	18,761,869.43	21,520

Statement of liabilities as of December 31, 2019

	up to 1 year KEUR	more than 1 year KEUR	including more than 5 years	
			years KEUR	total KEUR
1. Liabilities to banks	191	1,169	0	1,360
(Previous year)	(785)	(3,712)	(0)	(4,497)
2. Advance payments received on orders	28,580	0	0	28,580
(Previous year)	(19,772)	(0)	(0)	(19,772)
3. Trade accounts payable	13,764	0	0	13,764
(Previous year)	(14,796)	(0)	(0)	(14,796)
4. Liabilities to shareholders	7,840	303	0	8,143
(Previous year)	(8,826)	(0)	(0)	(8,826)
5. Liabilities to affiliated companies	39	0	0	39
(Previous year)	(20)	(0)	(0)	(20)
6. Liabilities to associated companies	4th	0	0	4th
(Previous year)	(0)	(0)	(0)	(0)
7. Other Liabilities	9,497	3	0	9,500

	up to 1 year	more than 1 year	including more than 5 years	total
	KEUR	KEUR	KEUR	KEUR
(Previous year)	(9,661)	(32)	(0)	(9,693)
thereof tax liabilities	8,124	0	0	8,124
(Previous year)	(8,507)	(0)	(0)	(8,507)
of which social security liabilities	215	0	0	215
(Previous year)	(225)	(0)	(0)	(225)
TOTAL	59,915	1,475	0	61,390
(Previous year)	(53,860)	(3,744)	(0)	(57,604)

The liabilities to shareholders are essentially loan liabilities (EUR 7,840 thousand; previous year: EUR 8,826 thousand). The liabilities to affiliated companies are trade payables (EUR 39 thousand; previous year: EUR 20 thousand).

Independent auditor's report

To Materna Information & Communications SE

Examination Opinions

We have prepared the consolidated financial statements of Materna Information & Communications SE, Dortmund, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of December 31, 2019, the consolidated income statement, the consolidated cash flow statement and the consolidated equity statement for the Fiscal year from January 1, 2019 to December 31, 2019 and the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of Materna Information & Communications SE for the financial year from January 1, 2019 to December 31, 2019.

According to our assessment based on the knowledge gained during the audit

- the attached consolidated financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of December 31, 2019 and its earnings position for the financial year from January 1, 2019 until December 31, 2019 and
- the attached group management report gives an overall accurate picture 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 accurately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the above-mentioned corporate governance statement.

In accordance with section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB), taking into account the generally accepted German auditing principles established by the Institute of Auditors (IDW). Our responsibility under these regulations and principles is described in more detail in the "Auditor's Responsibility for the Audit of the Consolidated Financial Statements and Group Management Report" section of our auditor's report. We are independent of the group companies in accordance with German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

Other Information

The legal representatives are responsible for the other information. The other information includes the above-mentioned corporate governance declaration in accordance with Section 315d HGB in conjunction with Section 289f Paragraph 4 HGB (information on the quota of women).

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and accordingly we do not issue an audit opinion or any other form of audit conclusion thereon.

In connection with our audit, it is our responsibility to read the other information and, in doing so, to assess whether the other information

- have material inconsistencies with the consolidated financial statements, the group management report or our knowledge obtained during the audit or
- otherwise appear materially misrepresented.

If, on the basis of the work we have carried out, we come to the conclusion that there has been a material misrepresentation of this other information, we are obliged to report this fact. We have nothing to report in this context.

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

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with the German commercial law in all essential respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the in compliance with German principles of proper accounting Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misrepresentation.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis of accounting, unless actual or legal circumstances conflict with this.

In addition, the legal representatives are responsible for the preparation of the group management report, which as a whole provides an accurate picture of the group's position, is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements in the group management report can.

The Supervisory Board is responsible for overseeing the Group's accounting process for the preparation of the consolidated financial statements and the group management report.

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

Our objective is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free of material - intended or unintentional - misrepresentation, and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is consistent with the knowledge gained during the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Adequate security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) in accordance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misstatement. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and group management report.

During the examination, we exercise our due discretion and maintain a critical attitude. Furthermore

- we identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and the group management report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations will not be detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent interaction, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls;
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of providing an audit opinion on the effectiveness of these Dispense systems;
- we assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and related information;
- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern can raise. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report, or if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the Group can no longer continue its business activities;
- We assess the overall presentation, structure and content of the consolidated financial statements, including the information, and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the group conveyed;
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions;
- we assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the group's position;
- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of adequate, suitable audit evidence, we particularly review the significant assumptions on which the legal representatives are based on the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a significant unavoidable risk

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Dortmund, May 26, 2020

Ernst & Young GmbH
auditing company

Ruhl, auditor

Kirsch, auditor

REPORT OF THE SUPERVISORY BOARD for the 2019 financial year

Activity of the supervisory board

The Supervisory Board performed the tasks assigned to it by law and the Articles of Association and monitored and advised the management of the Management Board on a timely and continuous basis. The basis for this is provided by numerous timely oral, telephone and written reports from the Board of Management as well as meetings with the Board of Management members. The Supervisory Board always had sufficient opportunity to critically examine the reports, motions and proposed resolutions of the Management Board and to make suggestions.

The Chairman of the Supervisory Board discussed the situation and development of the company and its domestic and foreign subsidiaries with the Management Board on an ongoing basis. The focus here was on the current business development, the sales and earnings situation and the strategic business development. In addition, the Supervisory Board was regularly informed by the Management Board about risk management and the risk situation. The control by the Supervisory Board also extended to the application of internal compliance by the Management Board.

The Supervisory Board of Materna Information & Communications SE met 11 times in the 2019 financial year. The Supervisory Board generally takes all necessary resolutions in meetings on the basis of proposals from the Management Board. Between the meetings, he makes the necessary decisions in a written circulation procedure.

In the meetings, the Supervisory Board dealt with the business and financial situation after the end of the respective months, with the current business situation and with the further outlook as well as with the strategic business development, especially with regard to acquisitions and investments. In addition, the Supervisory Board dealt with corporate planning, balance sheet issues and transactions requiring approval, fundamental questions of business policy, risk management, market development, the competitive situation of the company and its subsidiaries and the further development of corporate governance at the company.

All members of the Supervisory Board participated in all meetings and resolutions.

Committees

Due to its size of three members, the Supervisory Board did not form any committees in the 2019 financial year

Annual and consolidated financial statements 2019

The auditor and group auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Dortmund, elected by the Annual General Meeting and commissioned by the Supervisory Board, examined the annual financial statements prepared by the Management Board for the 2019 financial year, the management report, the consolidated financial statements and the group management report and issued an unqualified audit certificate.

The documents for the annual financial statements and the audit reports of the auditor and group auditor were forwarded to all members of the Supervisory Board in good time.

During the audit, the chairman of the supervisory board was informed about the course of the audit, questions that arose or other matters. At the Supervisory Board meeting on May 26, 2020, the Supervisory Board discussed the financial statements and reports in detail. The representative of the auditing company reported in detail on the process and the main results of his audit as well as on the fact that there were no weaknesses in the internal control system and the risk management system. At this meeting, the Management Board explained the financial statements of Materna Information & Communications SE and the group. The auditor also discussed the scope, focus and costs of the audit.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the management report and the consolidated financial statements including the group management report. The Supervisory Board endorsed the audit results of the auditor or group auditor and, even after the final result of its own audit, raised no objections to the annual financial statements, the consolidated financial statements, the management report for the company and the management report for the Materna Group

In the balance sheet meeting, the Supervisory Board approved the annual financial statements and the consolidated financial statements as of December 31, 2019; the annual financial statements were thus adopted. The Supervisory Board approves the Management Board's proposal on the appropriation of the net profit with the distribution of a dividend of € 1.40 per share.

Composition of the Board of Management and the Supervisory Board

There were no personnel changes on the Management Board or the Supervisory Board in the 2019 financial year.

thanks

The Supervisory Board thanks all employees in the Group for their commitment and the very good results in the past financial year. Our special thanks also go to Mr. Knopp, as the sole responsible member of the Board of Management in 2019, for his services. We would like to thank our business partners very much for the trust they have placed in us.

Dortmund, May 26th, 2020

Dr. Winfried Materna, chairman of the supervisory board
