KATEK

Lead the category

Prospectus

for the public offering in the Federal Republic of Germany

of

3,433,080 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*), from a capital increase against cash contributions, approved by resolution of an extraordinary shareholders' meeting (*außerordentliche Hauptversammlung*) of the Company held on 20 April 2021

and

514,962 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*), from the shareholdings of PRIMEPULSE SE and grosso tec AG in connection with a possible over-allotment

and at the same time

for the admission to trading to the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

up to 13,241,880 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*),

each such share with a notional value of EUR 1.00 and full dividend rights as of 1 January 2021

of

KATEK SE
Munich, Germany

Price range: EUR 21.00 to EUR 26.00 per share

International Securities Identification Number (ISIN): DE000A2TSQH7

German Securities Code (*Wertpapierkennnummer*, WKN): A2TSQH

Trading Symbol: KTEK

Sole Global Coordinator and Joint Bookrunner	*Joint Bookrunner*
Hauck & Aufhäuser	**M.M.Warburg & CO**

The date of this Prospectus is 21 April 2021.

The validity of this Prospectus will expire on 4 May 2021. The obligation to supplement the Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when the Prospectus is no longer valid.

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A. Summary of the Prospectus

A. Introduction and Warnings

This prospectus (the "**Prospectus**") relates to the public offering in Germany of 3,948,042 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*), each such share with a notional value of EUR 1.00 and full dividend rights as of 1 January 2021, International Securities Identification Number ("**ISIN**") DE000A2TSQH7 of KATEK SE, Legal Entity Identifier ("**LEI**") 5299000GH0E40P6I9F13, with business address at Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280; website: https://katek-group.de/) (the "**Issuer**" or the "**Company",** and together with its subsidiaries, "**KATEK**" or the "**Group**"), consisting of:

- 3,433,080 newly issued ordinary bearer shares (*auf den Inhaber lautende Aktien*) of the Company with no-par value (*Stückaktien*) and each such share with full dividend rights as of 1 January 2021 (the "**New Shares**") from a capital increase against contribution in cash, approved by resolution of an extraordinary shareholders' meeting (*außerordentliche Hauptversammlung)* of the Company held on 20 April 2021; and

- 514,962 existing ordinary bearer shares (*auf den Inhaber lautende Aktien*) of the Company with no-par value (*Stückaktien*) and each such share with full dividend rights as of 1 January 2021 originating from the shareholdings of PRIMEPULSE SE and grosso tec AG in connection with a potential over-allotment ("**Over-Allotment Shares**").

New shares and Over-Allotment Shares are referred to collectively as "**Offered Shares**".

The Offered Shares will be publicly offered by the Company together with Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Kaiserstraße 24, 60311 Frankfurt am Main, Germany, LEI: 529900OOZP78CYPYF471 (telephone + 49 69 21610) (the "**Sole Global Coordinator**") and M.M.Warburg & CO (AG & Co.) KGaA, Ferdinandstraße 75, 20095 Hamburg, Germany, LEI: MZI1VDH2BQLFZGLQDO60 (telephone +49 40 3282-0) (together with the Sole Global Coordinator, the "**Joint Bookrunners**" and each a **"Joint Bookrunner"**). The Company, together with the Sole Global Coordinator, will file the application for admission of up to 13,241,880 of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

The German Federal Financial Supervisory Authority (*Bundesanstalt fur Finanzdienstleistungsaufsicht*, "**BaFin**"), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108 0; website: www.bafin.de), has approved this Prospectus as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") on 21 April 2021.

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Offered Shares of the Company should be based on a consideration of this Prospectus as a whole by an investor. Investors in the Offered Shares of the Company could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Offered Shares.

B. Key Information on the Issuer

Who is the Issuer of Securities?

Issuer information	The Company's legal name is KATEK SE. The Company operates under the commercial names "KATEK" and "Katek". The Company (LEI: 5299000GH0E40P6I9F13) has its registered seat in Munich, Germany, and its business address at Promenadeplatz 12, 80333 Munich, Germany, and is registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany (the "**Commercial Register**") under number HRB 245284. The Company is a European stock corporation (*societas Europaea*) governed by the laws of Germany.
Principal activities	KATEK SE is the parent company of the Group. KATEK Group is a leading European electronics company, offering development (incl. software), prototyping and manufacturing as well as related services in the market for high value electronics/ electronic services market. Measured by market share, it currently ranks as number two in Germany and is the fastest-growing European company in the electronics / electronic services market based on the Company's estimates in reliance on the market study Weiß, 2021: *Die EMS Industrie - eine Branche wird erwachsen. Königswinter: in4ma,* as complemented by Weiss, D. G. *(2021): List of Top 10 EMS/ODM companies in DACH 2020. Königswinter: in4ma*.

Major Shareholders and Control

PRIMEPULSE SE (Munich, Germany) is the controlling shareholder of the Company, holding 81.15% of both the capital and the voting rights. It has a controlling influence (*beherrschender Einfluss*) on the Company within the meaning of Section 17 para. 1 of the German Stock Corporation Act (*Aktiengesetz*).

The following table sets forth, to the Company's knowledge, the persons directly having an interest in the Company's capital and voting rights:

Shareholder	Shares	% (rounded)
PRIMEPULSE SE (Munich, Germany)	7,959,600	81.15
grosso tec AG (Landshut, Germany)	964,800	9.84
Rainer Koppitz	402,000	4.10
Others (further shareholders with a participation of less than 3% each)	482,400	4.91
Total number of shares	9,808,800	**100.00**

The Company's major shareholders have the same voting rights as all other shareholders.

Management Board

The Company's management board (*Vorstand*) ("**Management Board**") consists of Rainer Koppitz (Chief Executive Officer) and Dr Johannes Fues (Chief Financial Officer).

Statutory auditors

The Company's statutory auditor is the Stuttgart branch office of Ebner Stolz GmbH & Co. KG ("**Ebner Stolz**"), located at Kronenstrasse 30, 70174 Stuttgart, Germany.

What is the key financial information regarding the Issuer?

The financial information contained in the following tables is taken from the Company's audited consolidated financial statements as of and for the financial years ended 31 December 2020 and 31 December 2019 (the "**Audited Consolidated Financial Statements**").

Selected financial information from the consolidated statement of income

	Financial year ended 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Revenue	**414,201**	**261,002**	**164,057**
EBITDA[1)]	**12,898**	**9,015**	**26,966**
EBIT (Operating profit / (loss))[2)]	**(1,295)**	**(1,986)**	**21,423**
Consolidated net profit / (loss)	**1,591**	**(2,191)**	**21,355**

1) EBITDA is defined by the Company as operating profit / (loss) before interest, tax, depreciation and amortisation as shown in its consolidated financial statements and is an alternative performance measure that is not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles.

2) EBIT is defined by the Company as operating profit / (loss) before interest and tax, as shown in its consolidated financial statements and is an alternative performance measure that is not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles.

Selected financial information from the consolidated balance sheet

	As of 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Total assets	**270,521**	**206,747**	**105,829**
Total equity	**65,093**	**19,514**	**21,775**

Selected financial information from the consolidated statement of cash flows

	Financial year ended 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Net cash used in / provided by operating activities	**25,847**	**13,438**	**(2,576)**
Net cash used in / provided by investing activities	**(16,810)**	**(64,488)**	**(6,821)**
Net cash used in / provided by financing activities	**(14,127)**	**54,137**	**12,990**

On 19 December 2019, the Company's subsidiaries, KATEK Düsseldorf GmbH, as purchaser, and KATEK Memmingen GmbH, as purchaser's guarantor, entered into a strategic partnership and asset purchase agreement with Huf Electronics Düsseldorf GmbH ("**Huf**"), as seller, and Huf Hülsbeck & Fürst GmbH & Co, KG, as seller's guarantor, for the acquisition of Huf's business segment encompassing surface mount technology production lines in Düsseldorf, Germany. The transaction closed on 16 March 2020 following the approval of the relevant governmental authorities. The purchase price paid for the net assets amounted to EUR 1,098 thousand and was settled in cash in financial year 2020.

On 23 December 2020, KATEK Leipzig GmbH, a wholly owned subsidiary of the Company, as purchaser, and the Company, as purchaser's guarantor, entered into an asset purchase agreement with Leesys – Leipzig Electronic Systems GmbH ("**Leesys**"), as seller, and Rüdiger Wienberg, as Leesys insolvency administrator, for the acquisition of the assets of the insolvent group of companies affiliated with Leesys. The net asset purchase price amounted to EUR 5.6 million in addition to an earn-out amount equal to a tax refund claim payable to Leesys.

Both transactions have had a meaningful impact on the Company's operations, which cumulatively required the preparation of pro forma financial information. Nevertheless, the Company is unable to prepare pro forma financial information concerning the purchased assets. In both cases, the transaction was executed as an asset deal. The Company has no access to the seller's respective accounting systems or internal reporting systems.

The purchased assets of KATEK Düsseldorf GmbH are included in the Group financial statements 2020. In particular, out of “Property, plant and equipment” for the Group amounting to EUR 68,269 thousand as of 31 December 2020, EUR 2,762 thousand (4%) are attributable to KATEK Düsseldorf GmbH. Out of revenues of the Group amounting to EUR 414,201 thousand in 2020, EUR 44,426 thousand (11%) are attributable to KATEK Düsseldorf GmbH after the closing of the transaction, *i.e.* for nine and a half months of the year, beginning with 16 March 2020.

Since the transaction of KATEK Leipzig GmbH was closed in February 2021, the assets purchased in the deal are not reflected in the Group’s financial statements for the financial year 2020.

What are the key risks that are specific to the Issuer?

- The market in which KATEK operates is highly competitive and KATEK's inability to compete effectively against competitors may lead to a reduction of its market share.
- The Group may incur increased costs as a result of qualitative and quantitative shortcomings of third parties in supplying it with raw materials, semi-finished goods, parts, components, manufacturing equipment and other supplies and services.
- The Company may misjudge both existing and possible future acquisitions, insofar as acquired companies may require more funding than anticipated to achieve set goals or successfully introduce new products to market, and could therefore become insolvent.
- Newly acquired companies or parts of companies may not be integrated into KATEK successfully and the integration process could take considerable time and expense.
- The Company is a holding company with no material business of its own, and the Company is dependent on generating external funds to secure its liquidity and to be able to meet its financial obligations.
- KATEK may not be able to maintain or extend existing material financing arrangements on acceptable terms or at all.
- KATEK’s risk management and internal control may not prevent or detect violations of law, which would result in an increase of its compliance costs.
- The Company will incur increased costs as a result of operating as a public company, and failure to comply with related requirements may damage KATEK's reputation and negatively affect an investment in the Company's shares.

C. Key Information on the Securities

What are the main features of the securities?

Type, class, par value	The New Shares are newly issued, ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*) each such share with a notional value of EUR 1.00 in the Company’s share capital originating from a capital increase against contributions in cash, approved by resolution of an extraordinary shareholders' meeting (*außerordentliche Hauptversammlung)* of the Company held on 20 April 2021. The registration of the implementation of the capital increase in the commercial register of the local court of Munich, Germany (*Amtsgericht München*) is expected to occur on 30 April 2021. All shares of the Company are shares of the same class.

ISIN	The ISIN of the Offered Shares is DE000A2TSQH7, German Securities Code (*Wertpapierkennnummer, WKN*): A2TSQH, Trading Symbol: KTEK.
Number of shares	As of the date of this Prospectus, the share capital of the Company amounts to EUR 9,808,800.00 and is divided into 9,808,800 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*). Each share of the Company represents a notional value of EUR 1.00 per share in the Company's share capital. All shares of the Company are fully paid up. 3,433,080 New Shares and 514,962 Over-Allotment Shares are being offered as part of the Offering, and up to 13,241,880 shares of the Company shares will be admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).
Currency	The Company's shares are denominated in euro.
Rights attached to the shares	Each of the shares of the Company, including each of the Offered Shares, entitles the shareholder to one vote at the general shareholders' meeting (*Hauptversammlung*) of the Company. There are no restrictions on voting rights. The Company's shares including the Offered Shares carry full dividend rights as of 1 January 2021. Each shareholder of the Company is generally entitled to a statutory subscription right, which means that in case of a capital increase such shareholder is entitled, upon request, to receive newly issued shares corresponding to the shareholder's share in the capital prior to the capital increase. In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the holders of the Company's shares, including the Offered Shares, in proportion to their interest in the Company's share capital.
Seniority	All shares of the Company, including the Offered Shares, are subordinated to all other securities and claims in case of an insolvency of the Company.
Free transferability	The shares of the Company, including the Offered Shares, are freely transferable in accordance with the legal requirements for ordinary bearer shares (*auf den Inhaber lautende Aktien*). There are no restrictions on the transferability of the Company's shares other than certain lock-up agreements between the Company, PRIMEPULSE SE, grosso tec AG and both members of the Management Board, Rainer Koppitz and Johannes Fues, and the Joint Bookrunners.
Dividend policy	The Company intends to invest all available funds and future earnings to support operations and to finance the growth and development of the business and market position of the Group as well as the implementation of its strategic goals. The Company has not paid any dividends to date and no statement can currently be made as to its future distributable profits. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements.

Where will the securities be traded?

The Company, together with Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, will apply for admission of all its shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

What are the key risks attached to the securities?

- There is no existing market for the Company's shares and an active or liquid market might not develop.
- The Company's share price and trading volume of its shares could fluctuate significantly, and investors could lose all or part of their investment.
- The Company's ability to pay dividends depends, among other things, on KATEK's results of operations, financial investment needs, the availability of distributable reserves and overall financial condition.

D. Key Information on the Offer of Securities to the Public and Admission to Trading on a Regulated Market

Under which conditions and timetable can I invest in this security?

Offer conditions	The Offering relates to the sale of 3,948,042 Offered Shares which will be offered at the Offer Price (as defined below).
Scope of the Offering	The Offering consists of an initial public offering of the Offered Shares in Germany (the "**Public Offering**") and a private placement in certain jurisdictions outside Germany except for the US, Canada, Japan and Australia which is not the subject of this Prospectus, in offshore transactions in reliance on Regulation S under the United States Securities Act von 1933, as amended (the "**Private Placement**", and together with the Public Offering, the "**Offering**").
Offer period	The offer period during which purchase orders for the Offered Shares may be submitted is expected to commence on 22 April 2021 and is expected to end on 28 April 2021 ("**Offer Period**"). On the last day of the Offer Period, purchase orders may be submitted (i) until 12:00 noon Central European Summer Time ("**CEST**") by retail investors (natural persons) and (ii) until 2 p.m. CEST by institutional investors.
Timetable of the Offering	The expected timetable for the Offering, which may be extended or shortened, is as follows: 22 April 2021 – Start of the Offer Period 28 April 2021 – End of the Offer Period 30 April 2021 – Registration of the implementation of the capital increase with the Commercial Register of the Company 3 May 2021 – Admission of the shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post admission obligations (Prime Standard) 4 May 2021 – First day of trading of the shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) Book-entry delivery of the Offered Shares.
Price Range	EUR 21.00 to EUR 26.00 per Offered Share (the "**Price Range**").
Offer Price	The offer price for the Offering (the "**Offer Price**") has not yet been fixed as of the date of the Prospectus and is expected to be determined by the Company, after consultation with the Joint Bookrunners, on 28 April 2021. The Offer Price will be set on the basis of purchase orders submitted by investors during the Offer Period that have been collected in the order book during the book building process. These orders will be evaluated according to the prices offered and the expected investment horizons of the respective investors. This meth-od of setting the Offer Price is, in principle, aimed at achieving the highest Offer Price.
Amendment of the Offer Conditions	The Joint Bookrunners are entitled to terminate the Underwriting Agreement (as defined below). The Company, PRIMEPULSE SE and grosso tec AG reserve the right, after consultation with the Joint Bookrunners, to increase or decrease the total number of Offered Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period. Changes in relation to the number of Offered Shares, changes in the Price Range and/or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted.
Preferential Allocation	Not applicable.

Stabilisation Measures, Over-Allotment and Greenshoe Option	In connection with the placement of the Offered Shares and as permitted by Art. 5 (4) of the Market Abuse Regulation, Hauck & Aufhäuser Privatbankiers Aktiengesellschaft can, as stabilisation manager, exercise the over-allotment option or conduct transactions that are aimed at stabilising the exchange or market price of the shares. In order to stabilise the initial exchange price, these measures may commence upon the inception of trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and must be terminated within 30 calendar days of this date. The stabilisation manager may conduct stabilisation measures on the Frankfurt Stock Exchange. In connection with possible stabilisation measures, investors may, in addition to the New Shares, be allocated up to 514,962 Over-Allotment Shares ("**Over-Allotment**"). Based on the terms of the Underwriting Agreement (as defined below), the Joint Bookrunners are entitled to the Over-Allotment. To cover the Over-Allotment, the Joint Bookrunners have been provided with up to 128,740 shares from the holdings of PRIMEPULSE SE and up to 386,222 shares from the holdings of grosso tec AG within the framework of a securities lending transaction. The number of shares earmarked for the Over-Allotment will not exceed 15% of the Offered Shares excluding the Over-Allotment. PRIMEPULSE SE and grosso tec AG has each granted the Joint Bookrunners the Greenshoe Option in order to fulfil the return delivery obligation arising from the securities lending transaction. The Greenshoe Option will expire no later than 30 days after the commencement of trading in the shares and can only be exercised to the extent to which the Over-Allotment Shares are placed.
Plan for Distribution	The allotment of Offered Shares to retail investors and institutional investors will be decided by the Company after consultation with the Joint Bookrunners. With respect to the purchase orders to retail investors, the Company and the Joint Bookrunners will adhere to the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on 7 June 2000 by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*).
Dilution	Assuming that all 3,433,080 New Shares are placed, each shareholder who does not participate in the Offering will have his or her shareholding diluted by approximately 25.9%. For investors who did not previously hold equity in the Company and who acquire New Shares at an Offer Price of EUR 23.50, this entails a theoretical loss of EUR 12.82 or 54.6% per share.
Total Expenses	Assuming an Offer Price at the mid-point of the Price Range and placement of the maximum number of Offered Shares, the total expenses payable by the Company in relation to the Offering and the listing of its shares, including underwriting, placement and discretionary commissions payable to the Joint Bookrunners, will amount to approximately EUR 4.38 million. Assuming an Offer Price at the mid-point of the Price Range and full exercise of the Greenshoe Option by the Joint Bookrunners, their costs related to the Offering of the Over-Allotment Shares, including underwriting, placement and discretionary commissions payable to the Joint Bookrunners, are expected to total approximately EUR 545 thousand.
Expenses Charged to Investors	Investors will not be charged expenses by the Company or the Joint Bookrunners in connection with its role as Joint Bookrunners. The depositary banks may charge a customary commission in connection with the subscription of the Offered Shares. Investors should obtain detailed information about such commissions from their depositary bank.

Who is the offeror and/or the person asking for admission to trading?

Offeror	The offerors are the Company, Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) with its registered seat in Kaiserstraße 24, 60311 Frankfurt, Germany, incorporated in and operating under the laws of the Federal Republic of Germany and M.M.Warburg & CO (AG & Co.) KGaA, partnership limited by shares (*Kommanditgesellschaft auf Aktien*) with its registered seat at Ferdinandstraße 75, 20095 Hamburg, Germany, incorporated in and operating under the laws of the Federal Republic of Germany.

Admission to trading	The Company, together with Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, will file the application for admission of all the Company's shares to trading to the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

Why is this Prospectus being produced?

Reasons for the Offering	The Company is initiating the Offering because it intends to accelerate the execution of its organic and inorganic growth strategy**.** PRIMEPULSE SE and grosso tec AG intend to divest part of their respective shareholdings in the Company in connection with the Over-Allotment in order to ensure sufficient free float and trading liquidity in the Company's shares and to facilitate stabilisation measures.
Use and estimated net proceeds	The Company will receive all net proceeds from the Offering of the New Shares. Assuming (i) an Offer Price at the mid-point of the Price Range, (ii) a placement of all the New Shares, the Company estimates that the aggregate net proceeds from the Offering of the New Shares would amount to approximately EUR 76.29 million. The Company intends to use the estimated net proceeds as follows, in decreasing order of priority: (i) to continue executing the Company's growth strategy through both mergers and acquisitions, as well as organic growth initiatives; the Company is in an ongoing process to identify and evaluate value-accretive target companies to execute its inorganic growth strategy; however, as of the date of the Prospectus, there are no concrete plans to use the issue proceeds for the acquisition of specific companies; (ii) to optimise the Company's capital structure; and (iii) the remainder for general corporate purposes. The estimated net proceeds from the Over-Allotment Shares (assuming placement of all 514,962 Over-Allotment Shares at an Offer Price at the mid-point of the Price Range) would amount to approximately EUR 11.56 million.
Underwriting Agreement	On 20 April 2021, the Joint Bookrunners and the Company entered into an underwriting agreement relating to the offer and sale of the Offered Shares in connection with the Offering (the "**Underwriting Agreement**"). In the Underwriting Agreement, the Joint Bookrunners have agreed, subject to certain conditions, to subscribe for the Offered Shares and to offer such shares at the Offer Price. The Underwriting Agreement does not include a firm commitment by the Underwriters to acquire the Offered Shares.
Interests material to the issue/offer including conflicting interests	Under the Underwriting Agreement, the Joint Bookrunners are acting for the Company in connection with the Offering and the coordination, structuring and execution of the Offering. Upon successful implementation of the Offering, the Joint Bookrunners will receive a commission. As a result, the Joint Bookrunners have a financial interest in the success of the Offering. PRIMEPULSE SE and grosso tec AG will receive the net proceeds from the potential sale of the Over-Allotment Shares. Accordingly, PRIMEPULSE SE and grosso tec AG have an interest in the successful completion of the Offering and that as many Offered Shares as possible are placed at the highest price possible. All Shareholders who hold existing shares of the Company have an interest that the listing of the Company's shares occurs and their shares can be traded on a stock exchange. In addition, both members of the Management Board and two members of the Supervisory Board of the Company (the "**Supervisory Board**"), Klaus Weinmann and Stefan Kober, are directly or indirectly invested in the Issuer. They may, separately from their positions in the respective governing body, have financial and economic interests in the success of the Offering at the best possible terms. The same applies to three employees who have been granted phantom stocks pursuant to the Company's phantom stock programme, which grants a cash-settled share-based payment when defined exit conditions, including the completion of the Offering, are fulfilled.

B. Zusammenfassung des Prospekts

A. Einleitung mit Warnhinweisen

Dieser Prospekt (der "**Prospekt**") bezieht sich auf 3.948.042 auf den Inhaber lautenden Stückaktien mit dem anteiligen Betrag des Grundkapitals von EUR 1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2021 sowie mit der internationalen Wertpapier-Identifikationsnummer ("**ISIN**") DE000A2TSQH7 der KATEK SE, Rechtsträgerkennung ("**LEI**") 5299000GH0E40P6I9F13, Geschäftsanschrift Promenadeplatz 12, 80333 München, Deutschland (Telefon +49 89 24881-4280; Website: https://katek-group.de/) (der "**Emittent**" oder die "**Gesellschaft**" und zusammen mit ihren Tochtergesellschaften die "**KATEK**" oder der "**Konzern**"), bestehend aus:

- 3.433.080 neu ausgegebenen auf den Inhaber lautenden Stückaktien mit dem anteiligen Betrag des Grundkapitals von EUR 1,00 und mit voller Dividendenberechtigung ab dem 1. Januar 2021 aus einer Kapitalerhöhung gegen Bareinlagen, die in einer außerordentlichen Hauptversammlung der Gesellschaft am 20. April 2021 beschlossen wurde (die "**Neuen Aktien**").
- 514.962 bestehenden auf den Inhaber lautenden Stückaktien mit voller Dividendenberechtigung ab dem 1. Januar 2021 aus dem Bestand der PRIMEPULSE SE und der grosso tec AG im Zusammenhang mit einer möglichen Mehrzuteilung ("**Mehrzuteilungsaktien**").

Die Neuen Aktien und die Mehrzuteilungsaktien werden gemeinsam als die "**Angebotenen Aktien**" bezeichnet.

Die Angebotenen Aktien werden von der Gesellschaft und der Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Kaiserstraße 24, 60311 Frankfurt am Main, Deutschland, LEI: 529900OOZP78CYPYF471 (Telefon + 49 69 21610) ("**Sole Global Coordinator**") und M.M.Warburg & CO (AG & Co.) KGaA, Ferdinandstraße 75, 20095 Hamburg, Deutschland, LEI: MZI1VDH2BQLFZGLQDO60, (Telefon: +49 40 3282-0) (zusammen mit dem Sole Global Coordinator **"Joint Bookrunners**" und einzeln **"Joint Bookrunner"**) öffentlich angeboten. Die Gesellschaft wird gemeinsam mit dem Sole Global Coordinator die Zulassung von bis zu 13.241.880 der Aktien der Gesellschaft zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Handel im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

Die Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**"), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Deutschland (Telefon +49 228 4108 0; Website: www.bafin.de), hat diesen Prospekt als zuständige Behörde gemäß Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 über den Prospekt, der beim öffentlichen Angebot von Wertpapieren oder bei deren Zulassung zum Handel an einem geregelten Markt zu veröffentlichen ist und zur Aufhebung der Richtlinie 2003/71/EG (die "**Prospektverordnung**") am 21. April 2021 gebilligt.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Anleger sollten sich bei der Entscheidung, in die Angebotenen Aktien zu investieren, auf diesen Prospekt als Ganzes stützen. Anleger, die in die Angebotenen Aktien der Gesellschaft investieren, könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Nur diejenigen Personen haften zivilrechtlich, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben. Dies gilt jedoch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Angebotenen Aktien für die Anleger eine Entscheidungshilfe darstellen würden.

B. Basisinformationen über den Emittenten

Wer ist der Emittent der Wertpapiere?

Informationen über den Emittenten	Die Firma der Gesellschaft lautet KATEK SE. Die Gesellschaft tritt unter den kommerziellen Bezeichnungen "'KATEK" und "Katek" am Markt auf. Die Gesellschaft, LEI 5299000GH0E40P6I9F13, hat ihren Sitz in München, Deutschland. Die Geschäftsanschrift lautet Promenadeplatz 12, 80333 München, Deutschland. Sie ist im Handelsregister des Amtsgerichts München, Deutschland (das "**Handelsregister**"), unter der HRB 245284 eingetragen. Die Gesellschaft ist eine Europäische Aktiengesellschaft (*societas Europaea*), die deutschem Recht unterliegt.
Haupttätigkeiten	KATEK SE ist das Mutterunternehmen des Konzerns. Der Konzern ist ein führendes europäisches Elektronik-Unternehmen, welches Entwicklung (inkl. Software), Prototyping und Fertigung sowie Services auf dem Markt für hochwertige Elektronikprodukte / elektronische Dienstleistungen anbietet. Nach Schätzung der Gesellschaft unter Berufung auf die Marktstudie Weiß, 2021 Die EMS Industrie - eine Branche wird erwachsen. Königswinter: in4ma, ergänzt durch Weiß, D. G. (2021). List of Top 10 EMS/ODM companies in DACH 2020. Königswinter: in4ma, rangiert die Gesellschaft gemessen am Marktanteil zurzeit an zweiter Stelle in Deutschland sowie als wachstumsstärkste europäische Gesellschaft im Markt für Elektronikprodukte / elektronische Dienstleistungen.

Hauptanteils-eigner und Kontrolle

Die PRIMEPULSE SE (München, Deutschland) ist mit einem Anteil von 81,15% am Grundkapital und Stimmrechten kontrollierender Aktionär der Gesellschaft. Sie übt einen beherrschenden Einfluss auf die Gesellschaft im Sinne von § 17 Abs. 1 Aktiengesetz aus.

In der nachfolgenden Tabelle sind diejenigen Personen aufgeführt, die nach Kenntnis der Gesellschaft direkt eine Beteiligung am Grundkapital und Stimmrechten der Gesellschaft halten:

Aktionäre	Aktien	% (gerundet)
PRIMEPULSE SE (München, Deutschland)	7.959.600	81,15
grosso tec AG (Landshut, Deutschland)	964.800	9,84
Rainer Koppitz	402.000	4,10
Sonstige (weitere Aktionäre, die weniger als je 3 % der Anteile besitzen)	482.400	4,91
Gesamte Aktienanzahl	**9.808.800**	**100,00**

Die Hauptanteilseigner der Gesellschaft verfügen über die gleichen Stimmrechte wie alle sonstigen Aktionäre.

Vorstand

Der Vorstand der Gesellschaft besteht aus den Herren Rainer Koppitz (CEO) und Dr. Johannes Fues (CFO).

Gesetzlicher Abschlussprüfer

Der gesetzliche Abschlussprüfer der Gesellschaft ist die Zweigniederlassung Stuttgart der Ebner Stolz GmbH & Co. KG ("**Ebner Stolz**"), Kronenstraße 30, 70174 Stuttgart, Deutschland.

Welches sind die wesentlichen Finanzinformationen über den Emittenten?

Die in den folgenden Tabellen enthaltenen Finanzinformationen wurden den geprüften Konzernabschlüssen der Gesellschaft für die Geschäftsjahre zum 31. Dezember 2020 sowie zum 31. Dezember 2019 (die "**Geprüften Konzernabschlüsse**") entnommen.

Ausgewählte Finanzinformationen aus der Konzern-Gewinn- und Verlustrechnung

	Geschäftsjahr zum 31. Dezember		
	2020	2019	2018
	(geprüft, in Tausend EUR)		
Umsatzerlöse	**414.201**	**261.002**	**164.057**
EBITDA[1]	**12.898**	**9.015**	**26.966**
EBIT (Betriebsergebnis)[2]	**(1.295)**	**(1.986)**	**21.423**
Konzernergebnis	**1.591**	**(2.191)**	**21.355**

1) EBITDA wird durch die Gesellschaft als Betriebsergebnis vor Zinsen, Steuern und Abschreibungen auf Sachanlagen und auf immaterielle Vermögensgegenstände wie in ihren Geprüften Konzernabschlüssen aufgeführt, definiert und ist eine alternative Kennzahl, die gemäß IFRS, deutschen handelsrechtlichen Grundsätzen und etwaigen sonstigen handelsrechtlichen Grundsätzen weder erforderlich ist, noch im Einklang mit IFRS, deutschen handelsrechtlichen Grundsätzen und etwaigen sonstigen handelsrechtlichen Grundsätzen dargestellt wird.

2) EBIT wird durch die Gesellschaft als Betriebsergebnis vor Zinsen und Steuern, wie in ihren Geprüften Konzernabschlüssen aufgeführt, definiert und ist eine alternative Kennzahl, die gemäß IFRS, deutschen handelsrechtlichen Grundsätzen und etwaigen sonstigen handelsrechtlichen Grundsätzen weder erforderlich ist, noch im Einklang mit IFRS, deutschen handelsrechtlichen Grundsätzen und etwaigen sonstigen handelsrechtlichen Grundsätzen dargestellt wird.

Ausgewählte Finanzinformationen aus der Konzern-Bilanz

	Zum 31. Dezember		
	2020	2019	2018
	(geprüft, in Tausend EUR)		
Summe Vermögenswerte	**270.521**	**206.747**	**105.829**
Summe Eigenkapital	**65.093**	**19.514**	**21.775**

Ausgewählte Finanzinformationen aus der Konzern-Kapitalflussrechnung

	Geschäftsjahr zum 31. Dezember		
	2020	2019	2018
	(geprüft, in Tausend EUR)		
Für die betriebliche Tätigkeit eingesetzte / Durch die betriebliche Tätigkeit erwirtschaftete Nettozahlungsmittel	**25.847**	**13.438**	**(2.576)**
Für Investitionstätigkeit eingesetzte / Durch Investitionstätigkeit erwirtschaftete Nettozahlungsmittel	**(16.810)**	**(64.488)**	**(6.821)**
Für Finanzierungstätigkeit eingesetzte / Durch Finanzierungstätigkeit erwirtschaftete Nettozahlungsmittel	**(14.127)**	**54.137**	**12.990**

Am 19. Dezember 2019 schlossen die Tochtergesellschaften der Gesellschaft, KATEK Düsseldorf GmbH als Käufer und die KATEK Memmingen GmbH als Bürge des Käufers, einen Vertrag über eine strategische Partnerschaft und den Kauf von Vermögenswerten mit der Huf Electronics Düsseldorf GmbH ("**Huf**") als Verkäufer und Huf Hülsbeck & Fürst GmbH & Co, KG als Bürge des Verkäufers für den Erwerb des Geschäftsbereichs von Huf, der Produktionslinien für Oberflächenmontagetechnik in Düsseldorf, Deutschland, umfasst. Der Vollzug der Transaktion erfolgte am 16. März 2020 nach Genehmigung durch die zuständigen Behörden. Der gezahlte Kaufpreis für das Nettovermögen belief sich auf EUR 1.098 Tausend und wurde im Geschäftsjahr 2020 in bar beglichen.

Am 23. Dezember 2020 schlossen KATEK Leipzig GmbH, eine 100-prozentige Tochtergesellschaft der Gesellschaft, als Käuferin und die Gesellschaft als Garantin der Käuferin einen Asset-Kaufvertrag mit Leesys - Leipzig Electronic Systems GmbH ("Leesys") als Verkäuferin und Rüdiger Wienberg als Leesys-Insolvenzverwalterin über den Erwerb der Vermögenswerte der mit Leesys verbundenen insolventen Unternehmensgruppe ab. Der Nettokaufpreis für die Vermögenswerte belief sich auf 5,6 Mio. Euro, zusätzlich zu einem Earn-Out-Betrag in Höhe eines an Leesys zu zahlenden Steuererstattungsanspruchs.

Beide Transaktionen hatten einen bedeutenden Einfluss auf die Geschäftstätigkeit der Gesellschaft, der kumulativ die Erstellung von Pro-forma-Finanzinformationen erforderte. Jedoch ist die Gesellschaft nicht in der Lage, Pro-forma-Finanzinformationen bezüglich der erworbenen Vermögenswerte zu erstellen. In beiden Fällen wurde die Transaktion als Asset-Deal durchgeführt. Die Gesellschaft hat keinen Zugang zu den jeweiligen Buchhaltungssystemen oder internen Berichtssystemen des Verkäufers.

Die erworbenen Vermögenswerte der KATEK Düsseldorf GmbH sind im Konzernabschluss für das Geschäftsjahr 2020 enthalten. Insbesondere entfallen von den "Sachanlagen" des Konzerns in Höhe von TEUR 68.269 zum 31. Dezember 2020 TEUR 2.762 (4 %) auf die KATEK Düsseldorf GmbH. Von den Umsatzerlösen des Konzerns in Höhe von TEUR 414.201 im Jahr 2020 sind der KATEK Düsseldorf nach wirksamem Abschluss der Transaktion, d.h. für neuneinhalb Monate des Geschäftsjahres, ab dem 16. März 2020, TEUR 44.426 (11 %) zuzurechnen.

Da die Transaktion der KATEK Leipzig GmbH im Februar 2021 abgeschlossen wurde, sind die im Rahmen des Deals erworbenen Vermögenswerte im Konzernabschluss 2020 nicht berücksichtigt.

Welches sind die zentralen Risiken, die für den Emittenten spezifisch sind?

- Der Markt, in dem die KATEK tätig ist, ist durch starke Konkurrenz gekennzeichnet und die Unfähigkeit der KATEK sich mit Konkurrenten erfolgreich zu behaupten könnte zu einer Verringerung ihres Marktanteils führen.
- Die Kosten des Konzerns könnten aufgrund von qualitativen und quantitativen Mängeln bei der Lieferung durch Dritte von Rohstoffen, Halbfertigwaren, Teilbaugruppen, Komponenten, Fertigungsmitteln und sonstigen Lieferungen und Dienstleistungen steigen.
- Die Gesellschaft könnte sowohl bestehende als auch mögliche zukünftige Erwerbe falsch einschätzen insofern erworbene Unternehmen höhere Finanzierungskosten als erwartet benötigen können, um ihre festgelegten Ziele zu erreichen oder erfolgreich neue Produkte auf den Markt zu bringen, und dadurch insolvent werden könnten.
- Neuerworbene Gesellschaften oder Teilgesellschaften könnten nicht erfolgreich in die KATEK eingegliedert werden und der Integrationsprozess könnte erhebliche Zeit und Kosten in Anspruch nehmen.
- Als Beteiligungsgesellschaft ohne eigene Geschäftstätigkeit hängt die Gesellschaft von der Einschließung externer Einnahmen ab, um ihre Liquidität zu sichern und ihren finanziellen Verpflichtungen nachzukommen.
- KATEK könnte es nicht gelingen, bestehende wesentliche finanzielle Vereinbarungen zu annehmbaren Bedingungen – oder überhaupt – aufrechtzuerhalten oder zu verlängern.
- Die Compliance-Kosten der KATEK würden sich erhöhen, wenn es ihrem Risikomanagement und ihren internen Kontrollsystemen nicht gelingen sollte, Rechtsverstöße zu vermeiden oder zu erkennen.
- Die Kosten der Gesellschaft werden durch ihre Börsennotierung steigen, und die Nichteinhaltung diesbezüglicher Erfordernisse könnte den Ruf der KATEK beschädigen und Investitionen in die Aktien der Gesellschaft negativ beeinflussen.

C. Basisinformationen über die Wertpapiere

Welches sind die wichtigsten Merkmale der Wertpapiere?

Art, Gattung, Nennwert	Bei den Neuen Aktien handelt es sich um auf den Inhaber lautende Stammaktien ohne Nennbetrag (Stückaktien) mit einem rechnerischen Anteil am Grundkapital der Gesellschaft von je EUR 1,00 aus einer durch die außerordentliche Hauptversammlung der Gesellschaft am 20. April 2021 beschlossenen Kapitalerhöhung gegen Bareinlage. Die Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister beim Amtsgericht (Registergericht)

München, Deutschland, wird voraussichtlich am 30. April 2021 erfolgen. Alle Aktien der Gesellschaft sind Aktien der gleichen Gattung.

ISIN

Die ISIN der Angebotenen Aktien lautet DE000A2TSQH7, Wertpapierkennnummer (WKN): A2TSQH, Börsenkürzel: KTEK.

Anzahl der Aktien

Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft EUR 9.808.800,00, eingeteilt in 9.808.800 auf den Inhaber lautende Stückaktien mit einem anteiligen Betrag am Grundkapital der Gesellschaft von EUR 1,00 je Aktie. Alle Aktien der Gesellschaft sind vollständig eingezahlt.

3.433.080 Neue Aktien und 514.962 Mehrzuteilungsaktien werden im Rahmen des Angebots angeboten und bis zu 13.241.880 der Aktien der Gesellschaft werden zum Handel am regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Handel im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) zugelassen.

Währung

Die Aktien der Gesellschaft sind in Euro denominiert.

Mit den Aktien verbundene Rechte

Jede Aktie der Gesellschaft, einschließlich jede Angebotene Aktie, berechtigt den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien der Gesellschaft und die Angebotenen Aktien sind ab dem 1. Januar 2021 in voller Höhe dividendenberechtigt. Jedem Aktionär der Gesellschaft steht grundsätzlich ein gesetzliches Bezugsrecht zu, das besagt, dass ihm bei Kapitalerhöhungen auf sein Verlangen ein seinem Anteil an dem bisherigen Grundkapital entsprechender Teil der neuen Aktien zugeteilt werden muss. Im Falle einer Auflösung der Gesellschaft werden etwaige nach Begleichung sämtlicher Verpflichtungen der Gesellschaft verbliebenen Erlöse auf die Inhaber der Aktien der Gesellschaft, einschließlich der Angebotenen Aktien, im Verhältnis ihrer Anteile am Grundkapital der Gesellschaft, verteilt.

Rang

Forderungen aus sämtlichen Aktien der Gesellschaft, einschließlich der Angebotenen Aktien, sind im Fall einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig.

Freie Übertragbarkeit

Die Aktien der Gesellschaft, einschließlich der Angebotenen Aktien, sind in Übereinstimmung mit den gesetzlichen Anforderungen für auf den Inhaber lautende Aktien frei übertragbar. Es bestehen keine Beschränkungen für die Übertragbarkeit der Aktien der Gesellschaft mit Ausnahme bestimmter Lock-up-Vereinbarungen zwischen der Gesellschaft, PRIMEPULSE SE, grosso tec AG, den beiden Vorstandsmitgliedern, Rainer Koppitz und Johannes Fues, und den Joint Bookrunners.

Dividendenpolitik

Die Gesellschaft beabsichtigt, sämtliche verfügbare Mittel und künftige Erträge zur Förderung des Geschäftsbetriebs und zur Finanzierung des Wachstums, der Entwicklung des Geschäfts und der Marktposition des Konzerns sowie zur Ausführung ihrer strategischen Ziele einzusetzen. Bisher hat die Gesellschaft keine Dividenden ausgeschüttet und sie kann auch derzeit keine Aussage über ihre künftigen ausschüttungsfähigen Gewinne treffen. Jegliche künftige Entscheidung, Dividenden auszuschütten, wird im Einklang mit anwendbaren Gesetzen beschlossen und wird u.a. von der Ertrags- und Finanzlage der Gesellschaft, verträglichen Einschränkungen und Kapitalerfordernissen abhängen.

Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird gemeinsam mit der Hauck & Aufhäuser Privatbankiers Aktiengesellschaft die Zulassung aller ihrer Aktien zum Handel am regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Handel im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- Zurzeit besteht kein Markt für die Aktien der Gesellschaft und ein aktiver oder liquider Markt wird sich eventuell nicht entwickeln.
- Der Aktienkurs und das Handelsvolumen der Aktien der Gesellschaft könnten erheblich schwanken, und Investoren könnten ihr eingesetztes Kapital ganz oder teilweise verlieren.
- Die Fähigkeit der Gesellschaft, Dividenden auszuschütten hängt u.a. von der Ertragslage der KATEK, den Finanzanlagebedürfnissen, der Verfügbarkeit von ausschüttungsfähigen Rücklagen und der allgemeinen Finanzlage ab.

D. Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem geregelten Markt

Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Angebotskonditionen	Das Angebot bezieht sich auf den Verkauf der 3.948.042 Angebotenen Aktien zum Angebotspreis (wie unten definiert).
Umfang des Angebots	Das Angebot besteht aus einem öffentlichen Angebot der Angebotenen Aktien in Deutschland (das "**Öffentliche Angebot**") sowie einer Privatplatzierung, die nicht Gegenstand dieses Prospekts ist, an qualifizierte Investoren in Deutschland und anderen ausgewählten Rechtsordnungen außerhalb der Vereinigten Staaten von Amerika, Kanada, Japan und Australien im Rahmen von Offshore-Transaktionen in Übereinstimmung mit Regulation S unter dem United States Securities Act von 1933 in seiner jeweils gültigen Fassung (die "**Privatplatzierung**" und zusammen mit dem öffentlichen Angebot das "**Angebot**").
Angebotszeitraum	Die Angebotsfrist, innerhalb der Kaufangebote für die Angebotenen Aktien abgegeben werden können, beginnt voraussichtlich am 22. April 2021 und endet voraussichtlich am 28. April 2021 ("**Angebotszeitraum**"). Am letzten Tag des Angebotszeitraums können Kaufangebote übermittelt werden (i) bis um 12:00 Uhr Mitteleuropäische Sommerzeit ("**MESZ**") für Privatinvestoren (natürliche Personen) und (ii) bis um 14:00 Uhr MESZ für institutionelle Investoren.
Zeitplan des Angebots	Nachstehend ist der voraussichtliche Zeitplan des Angebots, der verkürzt oder verlängert werden kann, dargestellt: 22. April 2021 – Beginn des Angebotszeitraums 28. April 2021 – Ende des Angebotszeitraums 30. April 2021 – Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister der Gesellschaft 3. Mai 2021 – Aufnahme des Handels der Aktien im regulierten Markt an der Frankfurter Wertpapierbörse sowie im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse 4. Mai 2021 – Erster Handelstag der Aktien im regulierten Markt an der Frankfurter Wertpapierbörse sowie im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse Buchmäßige Lieferung der Angebotenen Aktien
Preisspanne	EUR 21,00 bis EUR 26,00 je Angebotene Aktie (die "**Preisspanne**").
Angebotspreis	Der Angebotspreis für das Angebot ("**Angebotspreis**") ist zum Datum des Prospekts noch nicht festgelegt worden und wird voraussichtlich am 28. April 2021 von der Gesellschaft nach Abstimmung mit den Joint Bookrunners festgelegt werden. Der Angebotspreis wird auf der Grundlage von Kaufaufträgen festgelegt, die von Investoren während des Angebotszeitraums eingereicht und während des Bookbuilding-Verfahrens im Orderbuch gesammelt wurden. Diese Aufträge werden entsprechend den angebotenen Preisen und den erwarteten Anlagehorizonten der jeweiligen Investoren bewertet. Diese Methode zur Festsetzung des Angebotspreises zielt grundsätzlich darauf ab, den höchsten Angebotspreis zu erzielen.
Änderungen der Angebotsbedingungen	Die Joint Bookrunners sind berechtigt, den Übernahmevertrag (wie unten definiert) zu kündigen. Die Gesellschaft, PRIMEPULSE SE und grosso tec AG behalten sich das Recht vor, nach Abstimmung mit den Joint Bookrunners die Gesamtzahl der Angebotenen Aktien zu erhöhen oder zu verringern, die Obergrenze und/oder die Untergrenze der Preisspanne zu erhöhen oder zu senken und/oder die Angebotsfrist zu verlängern oder zu verkürzen. Änderungen in Bezug auf die Anzahl der Angebotenen Aktien, Änderungen der Preisspanne und/oder die Verlängerung oder Verkürzung der Angebotsfrist machen bereits eingereichte Kaufangebote nicht ungültig.
Bevorrechtigte Zuteilung	Entfällt.

Stabilisierungsmaßnahmen, Mehrzuteilung und Greenshoe-Option	Im Zusammenhang mit der Platzierung der Angebotenen Aktien und in Zustimmung mit Art. 5 Abs. 4 der Marktmissbrauchsverordnung kann Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, in ihrer Rolle als Stabilisierungsleiter, die Mehrzuteilungsoption ausüben oder Transaktionen abschließen, die darauf zielen, den Börsenkurs oder Marktpreis der Aktien zu stabilisieren. Zum Zwecke der Stabilisierung des ursprünglichen Börsenkurses können diese Maßnahmen zu Beginn des Handels am regulierten Markt der Frankfurter Wertpapierbörse (Prime Standard) eingeführt werden und müssen binnen 30 Kalendertage nach diesem Datum aufgehoben werden. Der Stabilisierungsleiter kann Stabilisierungsmaßnahmen an der Frankfurter Wertpapierbörse ergreifen. Im Zusammenhang mit den möglichen Stabilisierungsmaßnahmen können Anleger zusätzlich zu den Neuen Aktien auch Mehrzuteilungsaktien zugeteilt werden ("**Mehrzuteilung**"). Gemäß den Bestimmungen des Übernahmevertrags (wie unten definiert), steht den Joint Bookrunners die Mehrzuteilung zu. Zum Zwecke der Mehrzuteilung wurden den Joint Bookrunners bis zu 128.740 Aktien aus dem Bestand der PRIMEPULSE SE und bis zu 386.222 Aktien aus dem Bestand der grosso tec AG im Rahmen eines Wertpapierdarlehens gewährt. Die Anzahl der für die Mehrzuteilung vorgesehenen Aktien wird 15% der Angebotenen Aktien ausschließlich der Mehrzuteilung nicht überschreiten. Zum Zwecke der Einhaltung der aus dem Wertpapierdarlehen entstehenden Rückgabeverpflichtungen haben die PRIMEPULSE SE und die grosso tec AG jeweils den Joint Bookrunners die Option gewährt, Mehrzuteilungsaktien zum Angebotspreis abzüglich vereinbarter Provision und Kosten zu kaufen ("**Greenshoe-Option**"). Die Greenshoe-Option läuft spätestens 30 Tage nach dem Handelsbeginn der Aktien ab und kann lediglich insofern Mehrzuteilungsaktien platziert werden ausgeübt werden.
Plan für den Vertrieb	Die Zuteilung der Angebotenen Aktien an Privatanleger und institutionelle Investoren wird von der Gesellschaft nach Abstimmung mit den Joint Bookrunners beschlossen. In Bezug auf durch Privatanleger abgegebene Kauforders werden die Gesellschaft und die Joint Bookrunners die "Grundsätzen für die Zuteilung von Aktienemissionen an Privatanleger" der Börsensachverständigenkommission vom 7. Juni 2000 beachten.
Verwässerung	Soweit Aktionäre keine Angebotenen Aktien kaufen, und unter der Annahme, dass alle Neuen Aktien begeben werden, wird der Anteil eines jeden Aktionärs am Grundkapital und Stimmrechten der Gesellschaft um ca. 25,9% sinken. Für Investoren, die zuvor keine Aktien an der Gesellschaft hielten und die Neuen Aktien zu einem Angebotspreis von EUR 23,50 erwerben, bedeutet dies einen theoretischen Verlust von EUR 12,82 bzw. 54,6% je Aktie.
Gesamtkosten	Geht man von einem Angebotspreis in der Mitte der Preisspanne und der Platzierung der maximalen Anzahl Angebotener Aktien aus, dürften sich die Kosten der Gesellschaft im Zusammenhang mit dem Angebot und der Handelszulassung der Aktien der Gesellschaft, einschließlich der an den Joint Bookrunners zu zahlenden Zeichnungs-, Platzierungs- und Ermessensprovisionen, auf etwa EUR 4,38 Mio. belaufen. Unter der Annahme eines Angebotspreises in der Mitte der Preisspanne und der vollständigen Ausübung der Greenshoe-Option durch die Joint Bookrunners, dürften sich deren Kosten im Zusammenhang mit dem Angebot der Mehrzuteilungsaktien, einschließlich Zeichnungs-, Platzierungs- und Ermessensprovisionen, die an den Joint Bookrunners zu zahlen sind, auf etwa EUR 545 Tsd. belaufen.
Kosten, die Anlegern in Rechnung gestellt werden	Anlegern werden von der Gesellschaft oder den Joint Bookrunners im Zusammenhang mit seiner Rolle als Joint Bookrunners keine Kosten in Rechnung gestellt. Die Depotbanken können im Zusammenhang mit der Zeichnung der Angebotenen Aktien eine übliche Kommission erheben. Anleger sollten sich über solche Provisionen bei ihrer Depotbank genau informieren.

Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Anbieter	Die Anbieter sind die Gesellschaft, die Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, eine Aktiengesellschaft mit Sitz in Kaiserstraße 24, 60311 Frankfurt, Deutschland, eingetragen in und unterliegend den Gesetzen der Bundesrepublik Deutschland und die M.M.Warburg & CO (AG & Co.) KGaA, eine Kommanditgesellschaft auf Aktien, mit Sitz in Ferdinandstraße 75, 20095 Hamburg, Deutschland, eingetragen und unterliegend den Gesetzen der Bundesrepublik Deutschland.

Zulassung zum Handel	Die Gesellschaft wird gemeinsam mit der Hauck & Aufhäuser Privatbankiers Aktiengesellschaft die Zulassung ihrer Aktien zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Handel im Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.
Weshalb wird dieser Prospekt erstellt?	
Gründe für das Angebot	Die Gesellschaft macht dieses Angebot, da sie beabsichtigt, die Ausführung ihrer organischen und anorganischen Wachstumsstrategie zu beschleunigen. Die PRIMEPULSE SE und die grosso tec AG beabsichtigen, einen Teil ihrer jeweiligen Beteiligungen an der Gesellschaft im Zusammenhang mit der Mehrzuteilung zu veräußern, um einen ausreichenden Streubesitz und Handelsliquidität der Aktien der Gesellschaft sicherzustellen, sowie um Stabilisierungsmaßnahmen zu ermöglichen.
Zweckbestimmung und Gesamtnettoerlös	Die Gesellschaft wird alle Nettoerlöse aus dem Angebot der Neuen Aktien erhalten. Unter der Annahme, dass alle Neuen Aktien platziert werden, beträgt der Gesamtnettoerlös aus dem Angebot der Neuen Aktien nach Schätzung der Gesellschaft ca. EUR 76,29 Mio. Die Gesellschaft beabsichtigt, den Gesamtnettoerlös folgendermaßen, nach absteigender Priorität, zu verwenden: (i) die Ausführung der Wachstumsstrategie der Gesellschaft fortzusetzen sowohl durch Zusammenschlüsse und Übernahmen als auch durch organische Wachstumsinitiativen; die Gesellschaft befindet sich in einem fortlaufenden Prozess der Identifizierung und Bewertung wertsteigernder Zielunternehmen zur Umsetzung ihrer anorganischen Wachstumsstrategie; zum Datum des Prospekts bestehen jedoch keine konkreten Pläne, den Emissionserlös für den Erwerb bestimmter Unternehmen zu verwenden; (ii) die Kapitalstruktur der Gesellschaft zu optimieren; und (iii) den Restbetrag für allgemeine gesellschaftliche Zwecke. Der geschätzte Gesamtnettoerlös der Mehrzuteilungsaktien (unter der Annahme, dass alle 514.962 Mehrzuteilungsaktien zu einem Angebotspreis in der Mitte der Preisspanne platziert werden) würde rund EUR 11,56 Mio. betragen.
Übernahmevertrag	Am 20. April 2021 haben die Joint Bookrunners und die Gesellschaft im Zusammenhang mit dem Angebot und dem Verkauf der Angebotenen Aktien einen Übernahmevertrag abgeschlossen (der "**Übernahmevertrag**"). In dem Übernahmevertrag haben sich die Joint Bookrunners, vorbehaltlich bestimmter Bedingungen, verpflichtet, die Angebotenen Aktien zu zeichnen, um sie zum Kauf anzubieten. Der Übernahmevertrag enthält keine feste Verpflichtung der Übernahme der Angebotsaktien durch die Konsortialbanken.
Wesentliche Interessen an der Emission/ dem Angebot einschließlich Interessenkonflikten	Gemäß dem Übernahmevertrag handeln die Joint Bookrunners für die Gesellschaft im Zusammenhang mit dem Angebot und der Koordination, Strukturierung und Durchführung des Angebots. Nach erfolgreicher Durchführung des Angebots erhalten die Joint Bookrunners eine Provision. Als Folge dessen haben die Joint Bookrunners ein finanzielles Interesse am Erfolg des Angebots. PRIMEPULSE SE und grosso tec AG werden den Nettoerlös aus dem potentiellen Verkauf der Mehrzuteilungsaktien im Rahmen des Angebots erhalten. Dementsprechend haben PRIMEPULSE SE und grosso tec AG ein Interesse daran, dass das Angebot erfolgreich abgeschlossen wird und dass so viele Angebotenen Aktien wie möglich zum höchstmöglichen Preis platziert werden. Sämtliche Aktionäre, die bestehende Aktien der Gesellschaft halten, haben ein Interesse daran, dass das die Handelszulassung der Aktien der Gesellschaft erfolgt und ihre Aktien an einer Börse gehandelt werden können. Darüber hinaus halten beide Vorstandsmitglieder und zwei Aufsichtsratsmitglieder, Klaus Weinmann und Stefan Kober, direkt oder indirekt Aktien der Gesellschaft. Sie könnten möglicherweise als Folge dessen, getrennt von ihren jeweiligen Organfunktionen, finanzielle und wirtschaftliche Interessen am Erfolg des Angebots zu bestmöglichen Bedingungen haben. Gleiches gilt für drei Mitarbeiter denen Phantom Stocks im Rahmen des Phantom-Stock-Programms der Gesellschaft gewährt wurden, die eine barerfüllte, anteilsbasierte Zahlung gewähren, wenn festgelegte Leistungsbedingungen, einschließlich des Abschlusses des Angebots, erfüllt sind.

1. RISK FACTORS

*In considering whether to invest in the shares of KATEK SE (the "**Issuer"** or the "**Company"** and together with its subsidiaries, **"KATEK**" or the "**Group**"), investors should carefully review the risks and uncertainties described below, together with the other information in this Prospectus, before making a decision to invest in the Company's shares.*

The risk factors described below are limited to risks which are specific to the Company or the shares in the Company and which are material for taking an informed investment decision. The materiality of the risk factors has been assessed by the Company based on the probability of their occurrence and the expected magnitude of their negative impact. The Company considers the first two risk factors mentioned at the beginning of each category as the most material of the risk factors contained in the relevant category. The risks mentioned may materialise individually or cumulatively.

1.1 Risks related to KATEK's Industry and Business

1.1.1 The market in which KATEK operates is highly competitive and KATEK's inability to compete effectively against competitors may lead to a reduction of its market share.

The KATEK Group operates in business areas with attractive development opportunities. KATEK faces competition from other well-established developers and manufacturers of electronic equipment, as well as potential new competitors. Should the intensity of competition increase or should new technologies significantly change the relevant markets, this could, on the one hand, reduce the profit margins of the respective company and, on the other hand, also lead to intense competition within these business fields.

The KATEK Group may fail to counter these strategic competitive risks effectively, even though it continuously adjusts its short- and long-term orientation, undertakes technology scouting and market analyses.

KATEK may be unable to compete effectively against competitors either because they may have more financial resources or cross-selling opportunities or because they have stronger customer relationships, and therefore may lose market share; this could have a material adverse effect on KATEK's business, results of operations, financial condition and prospects, and in particular on revenue.

1.1.2 The Group may incur increased costs as a result of qualitative and quantitative shortcomings of third parties in supplying it with raw materials, semi-finished goods, parts, components, manufacturing equipment and other supplies and services.

The KATEK Group procures major components for the products it manufactures from international suppliers operating in complex supply chains and costs of purchased materials and services account for a significant portion of the Company's expenses, representing approximately 70% of total income for the year ended 31 December 2020. In addition, the Group's top ten suppliers accounted for approximately 37% of such costs for the year ended 31 December 2020. Importing components from abroad implies trade risks such as delivery delays, exchange rate fluctuations, increases in taxes and customs duties, export and import restrictions or changes in safety regulations in the suppliers' country. There could also be shortages of essential components for products in the market, e.g. electronic components. In the event of significant supply difficulties, switching to an alternative supplier could take a long time, trigger high modification efforts or not be possible at all. In addition, it could be difficult to negotiate attractive purchasing conditions and ensure constant availability of materials from new suppliers. Potential price increases may also not be fully passed on to customers.

The Group's manufacturing operations depend on obtaining raw materials, semi-finished goods, parts, components, manufacturing equipment and other supplies, as well as certain services, from a selected number of suppliers in sufficient quality and quantity, and in a timely manner.

KATEK's suppliers could become temporarily or permanently unable to produce or deliver their products due to, for example, economic or technical problems or capacity bottlenecks, fail to produce the products in compliance with KATEK's prescribed quality standards or deliver their products with delay or could otherwise fail to meet their contractual obligations. Manufacturing quality problems, late delivery or other problems resulting from third-party suppliers may, to the extent delivery of KATEK's products is delayed, its products are of lower quality or even faulty as a consequence, result in KATEK not being able to fulfil its contractual obligations towards its clients, in product liability claims and may also damage its reputation. In the event that any supplier becomes permanently incapacitated, KATEK may be compelled to change suppliers.

Furthermore, the prices of raw materials, parts, components and manufacturing equipment may increase due to changes in supply and demand. A limited number of the Group's suppliers depend possibly on a sole or limited suppliers for certain key raw materials, parts and components used in the manufacturing and development of its products. Therefore, the Group's operating margins may be impacted by fluctuations in the price of raw materials. For example, chips that are utilised in KATEK's automotive applications were affected by supply chain shortages during the economic crisis stemming from the COVID-19 pandemic and capacities have still not returned to prior levels despite the desired production ramp up. The financial crisis related to the Corona pandemic has indirectly altered global supply chains as well as customer demand since its beginning in 2020. In 2021, with economies regaining momentum and supply chains still affected, reports of shortages in various categories of materials became apparent. One example is semiconductors. Lead times for some semiconductors have doubled compared to the previous year. In the past, the Group has experienced delays in product development due to suppliers' delivery of raw materials and semi-finished goods that did not meet the Group's specifications, for instance, as a result of erroneous labelling. Any future inability to obtain high-quality raw materials, semi-finished goods or manufacturing equipment in sufficient quantities on competitive pricing terms and on a timely basis, due to global supply and demand or a dispute with a supplier, may delay the Group's electronic equipment production, impede its ability to fulfil existing or future purchase orders and harm its reputation and profitability.

The materialisation of any of the above could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and in particular on costs.

1.1.3 If KATEK does not continue to invest in innovations and technical enhancements of its products it may not remain competitive.

KATEK's success strongly depends on its products being attractive for customers. In order to remain competitive and to maintain and further expand market-leading positions, it is essential for the KATEK Group to recognise new trends in its industries and to invest in the (further) development of corresponding technologies, both in terms of enhancing production technology and, to a lesser extent, in research and development projects. Some of the production technology applied by certain of the Company's subsidiaries, particularly in the areas of solar energy, smart grids and smart buildings, are currently state of the art, but there is no guarantee that this can be maintained in all use cases and applications and that more advanced technologies utilised by competitors might not become state of the art standards. As a result, there is a risk of making high investments without achieving the expected output. Furthermore, product developments and product ideas can be pursued erroneously, which, however, do not bring the desired success.

If KATEK fails to invest in innovations and technical improvements regarding its products it may not remain attractive for customers, which may have a negative effect on its competitiveness and thus a highly adverse effect on its business, results of operations, financial condition and prospects, in particular on revenue.

1.1.4 KATEK's business depends on its ability to execute contracts with a limited number of significant clients.

KATEK's success depends in part on agreements concluded with its key clients. The Group generated approximately 36% of its revenue from its top three clients of in financial year 2020, and 93% from transactions with repeat customers. Any change in KATEK's relationship, the strength of the counterparties' businesses or their demand for its products could materially affect its results. KATEK and its key clients have entered into agreements, which in some cases include exclusivity arrangements and these relationships form a core pillar of KATEK's business plan and are expected to result in a material portion of its revenue. However, these contracts also include clauses that allow either party to terminate the relationship under certain specified circumstances. These relationships might not continue or be extended, and they may terminate entirely. In addition, KATEK's current clients may be acquired by other companies which then turn to other suppliers. KATEK's relationships with its key clients and their level of business will continue to have significant effects on its performance and results of operations in the future.

More generally, KATEK's inability to renew or extend existing client contracts or strategic partnerships or maintain good relationships with key clients could have a negative impact on its revenue and profits and affect market position and thus have highly adverse effects on its business, financial condition, results of operations and prospects, and in particular on revenue.

1.1.5 The Company is exposed to risks associated with product liability, warranty claims and product recalls.

The majority of the companies in the KATEK Group are exposed to liability and warranty risks vis-à-vis customers. The sale and use of the Group's products involves a risk of product liability and warranty claims. The Group is exposed to product liability and warranty claims in the normal course of business in the event that its products, or the components and semi-finished goods incorporated in products that it has manufactured or assembled and sold, or components that its suppliers have manufactured or assembled, have failed or have allegedly failed to perform as expected or the use of the Group's products results, or is alleged to result, in bodily injury or property damage. Such claims may arise from risks associated with the use or misuse of electronic equipment. Furthermore, the Group may become subject to other proceedings alleging violations of due care, safety provisions and claims arising from breaches of contract or fines imposed by government or regulatory authorities in relation to its customised and semi-customised products and services, as described in more detail in Section "1.4.3 *The Company is and may become subject to risks from liability claims, and other litigation and arbitration proceedings.*"

In addition, under certain circumstances, any such issues could give rise to an investigation by regulatory authorities, which could result in the need for remedial action such as a recall of KATEK's products or its suppliers' components, requiring the repair or replacement of the products or even a prohibition of future sales. If any of KATEK's products is proven to have quality issues, fails to meet local legal, regulatory or industry standards, or has potential risks to the safety of humans and properties, the Group may have to recall such products, be subject to penalties, including liquidated damages under the terms of its contracts with customers, suspend production and sale of KATEK's products, or be ordered to take corrective measures.

Failure in the production process may lead to product recalls. While the Group's production processes are mostly automated, there still remains a possibility of failure, especially resulting from the few existing manual parts of production. Additionally there is a possibility of defective parts or materials being delivered by the Group's suppliers.

Any product recall could have a material and adverse impact on the Group's results of operations, financial condition and growth prospects, and in particular on revenue, and could be particularly significant in relation to KATEK's products utilised in the automotive industry. Product recalls could involve significant expenses and time of the Company's management, which could materially and adversely affect its business prospects, results of operations and financial condition. In addition, product recalls may have a highly adverse effect on clients' confidence in the quality and safety of the affected products and the Group's reputation and image, which could in turn reduce demand for its products.

1.1.6 Changes in the general economic environment in which KATEK operates may have a negative impact on its business.

The Group may be affected by changes in general economic conditions which may negatively impact the industries and sub-markets in which its products are currently sold and the markets in which it expects to grow its business. Changes in general economic conditions, including fears of an economic downturn, directly affect the general business climate and levels of business investment, and it is difficult to predict changes in general economic conditions and how such changes may affect demand for the Group's or its clients' products and services. For example, the 2020 economic crisis stemming from the COVID-19 pandemic had a negative impact on manufacturers operating in KATEK's line of business. In addition, the United Kingdom's exit from the European Union has led to a number of economic uncertainties in European and global markets, and could ultimately have a negative effect on European trade relations or result in a general weakening of the European Union.

In particular, the European markets in which the Group currently operates and in which it intends to operate may suffer from depressed economic activity, recessionary economic cycles, threats of terrorism and armed conflict, significantly higher energy costs, low consumer confidence, high levels of unemployment, pandemics and other health crises, investment losses, personal insolvency, reduced access to credit or other economic factors that may affect consumers discretionary spending. Moreover, a significant deterioration in political conditions such as a serious political dispute, or the impact of election results, in one or more territories in which KATEK operates may also adversely affect the Group's business, financial condition, results of operations and cash flows.

The development of other economic and political conditions could have a negative impact on the Group's business. These include, among other factors, a continuation or further aggravation of the political tensions or potential economic downturns, as well as the imposition of additional trade barriers and tariffs. These geopolitical issues could have a negative impact on general economic conditions which in turn could have a negative impact on global economic markets.

Specifically, the Group's financial position and individual investments depends in particular on the overall economic situation and the economic development in the electronics manufacturing and services industry. However, economic risks in the sectors of industrial companies supplied by KATEK also have a significant influence on the economic situation of the KATEK Group.

The recessionary phase that had already begun in Germany in 2019 turned into the deepest recession in post-war history in the first half of 2020 due to the spread of the coronavirus (SARS-CoV-2). In the summer of 2020, the German economy did appear to recover due to the milder course of the spread of the coronavirus. The more severe spread in the fall, however, again led to significant negative impacts on the economy. In addition, the overall underperformance of the European markets represents a significant drag on the growth situation. Despite positive forecasts for 2021 and announcements of vaccines against the coronavirus, a further deterioration in the overall economic situation cannot be ruled out ("ifo Economic Forecast Winter 2020," published on 16 December 2020, retrieved 10 February 2021). Among the most pertinent of the application areas for KATEK's products, the automotive sector was hit particularly hard by the crisis related to the COVID-19 pandemic but other areas may be particularly affected by future crises. Impairments of economic growth, which in turn is related to interest rate levels, inflation rates, investment cycles and many other indicators, may have a direct or indirect negative impact on KATEK's net assets, financial position and results of operations.

In addition, the financial position of the sales and procurement markets of companies in the Group are influenced by individual economic policy events, which therefore represent a risk for the Group's financial position. The sales risks of the subsidiaries of KATEK SE result - in particular also as a result of the corona pandemic - from a low or declining number of customers, from customer losses, changed consumer behaviour, dependence on central sales partners, the reduction of call-offs, a decline or delay in incoming orders, and insufficient fulfilment of customer expectations.

Fluctuations in global economic conditions have significantly impacted economic conditions in certain industries in recent years. Similarly, negative global economic conditions could adversely impact consumer confidence and levels of discretionary investment by industrial and commercial clients. Negative economic conditions might cause consumers to make long-term changes to their discretionary spending behaviour. In addition to possible overall reduced demand for KATEK's products, an economic downturn or worsening global economic conditions could result in disruptions in the supply of processed raw materials and components that KATEK requires to manufacture its products, and clients delaying or even cancelling orders. Any such weakness or deterioration in the general economic conditions could have a highly adverse effect on KATEK's business, financial condition, results of operations and prospects, and in particular on revenue.

1.1.7 The Group is exposed to operational risks associated with its production facilities and business operations.

The Group currently operates production facilities in five countries. Its business is exposed to various hazards and risks of disruption associated with industrial operations. These risks include, but are not limited to: production or machinery equipment failures, explosions and fires as well as natural disasters such as floods and earthquakes, given that certain of the Group's production facilities are located in low lying or fault line areas. In particular, quality problems may arise or delays may occur in the production process.

These risks could also expose employees to fire, toxic fumes and other hazards, inflicting injuries and reputational damage which may adversely affect the productivity and profitability of a particular production or assembly facility or KATEK's business operations as a whole. Such events could result in significantly increased costs, the need for remediation, governmental enforcement actions, regulatory shutdowns, the imposition of government fines as well as penalties and claims brought by governmental entities or third parties. If disruptions at the Group's production or assembly facilities occur, alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to commence operations. If any of the Group's production facilities are unable to operate for an extended period of time, the Group's sales may decline due to the disruption and it may not be able to fill client orders or otherwise meet clients' needs, which could cause them to seek other suppliers.

If any of the risks described above arise, or if existing insurance coverage is insufficient to satisfy related obligations, this could have a highly adverse effect on the Group's business, financial condition, results of operations and prospects, and in particular on revenue.

1.1.8 Damage, destruction or loss of stored goods could lead to write-offs.

The majority of the companies in the KATEK Group have warehouses in which they keep goods in stock on an order-related basis and/or depending on sales forecasts in order to always be able to deliver. There is a risk that the stored goods could be damaged, destroyed or lost due to external influences such as severe weather conditions, fire, theft or burglary. This could mean that the company concerned would no longer be able to fulfil orders at short notice and would also have to record a significant loss due to the damaged or lost goods. In addition to the loss of sales, the affected company of the KATEK Group would also have to bear costs for the repair or reconstruction of the warehouse as well as for the replacement of the stored goods. If a product is destroyed or if a customer refuses to accept a product, the Company could be forced to write off related amounts completely and existing insurance coverage may be insufficient to satisfy related obligations.

In addition, there is a risk of only being able to sell goods below cost or not at all, or of call-off quantities not being purchased in the agreed quantities, due to strong price fluctuations, some of which are short-lived, or due to short product life cycles and the resulting possible decline in value at the end of the product cycle. This, in turn, would mean that the inventory would have to be written down. If any of the risks described above arise, or if existing insurance coverage is insufficient to satisfy related obligations, this could have an adverse effect on the Group's business, financial condition, results of operations and prospects, and in particular on revenue.

1.1.9 Failure of KATEK to hire or retain enough qualified employees with suitable technical expertise could harm the Group's operations.

Personnel expenses represent a significant cost factor for the Group. KATEK's success depends, in part, on its ability to continue to attract, adequately compensate and retain employees, in particular in the areas of product development, production, sales and management. Competition for suitably qualified individuals with the relevant technical expertise in the technology industry is intense, and KATEK may have difficulties or may incur additional costs to retain or recruit specialised staff. Therefore, KATEK may be required to increase employee compensation to attract and retain such personnel. Such increases could adversely affect KATEK's financial condition, and in particular costs.

If KATEK is unable to attract and retain well-qualified technical personnel, or if existing highly skilled and specialised personnel leave KATEK and adequate replacements are not available, KATEK may not be able to manage its work streams effectively. In turn, this could cause KATEK to fail to satisfy customers' demands, which could have an adverse effect on its reputation, business, results of operations, financial condition and prospects, and in particular on revenue.

1.2 Acquisition-Related Risks

1.2.1 The Company may misjudge both existing and possible future acquisitions, insofar as acquired companies may require more funding than anticipated to achieve set goals or successfully introduce new products to market, and could therefore become insolvent.

The Company has acquired interests in a number of companies in the past. The market and competitive strategy of the Company will continue to expand through targeted acquisitions of companies or parts of companies, either by the Company itself or through its subsidiaries, in line with the planned expansion of its business activities. Nevertheless, the acquisition of shareholdings represents a considerable entrepreneurial risk.

In addition, there is a risk that acquired companies may require more funding than anticipated in order to achieve set goals or successfully introduce new products to market, and that this funding may be unavailable. This could lead to the acquired company's insolvency, which would entail a loss of the funds already invested in it. Early-stage acquired companies are generally not expected to pay dividends regularly because any profits earned are likely to be required for the development and expansion of operations.

It cannot be ruled out that risks associated with acquisitions that were not identified, misjudged during the previous audit or not covered by guarantees given by counterparties may arise or materialise at a later date. In such a case, the corresponding warranty period may already have expired or recourse to the seller may not be possible for other reasons. Furthermore, significant employees or key persons of the acquired companies could leave the acquired company as a result of the acquisition by KATEK, so that due to the loss of these significant employees or key persons, goals that were to be achieved with the acquisition can no longer be achieved. The materialisation of one or more such risks could have a material adverse effect on the net assets, financial position and results of operations of the Company, and in particular on revenue. This could also cause the price of the Company's shares to fall, in which case investors could lose some or all of their investment.

1.2.2 Newly acquired companies or parts of companies may not be integrated into KATEK successfully and the integration process could take considerable time and expense.

In recent years, KATEK has strengthened its growth and market position through acquisitions and will continue to focus on expansion through the acquisition of attractive companies or parts of companies. After the acquisition of a company or part of a company, it may become apparent that the competence of the management of the acquired company has been misjudged or the integration into the Group is not successful and does not meet KATEK's expectations. The Group could also misjudge the market position, earnings potential, profitability, client loyalty to the company and the growth opportunities of the company or other significant factors. Such misjudgements may also impair the strategy underlying the related acquisition. In such a case, not only the achievement of KATEK's objectives with the acquisition, but also the value of the investment as a whole, would be significantly endangered. The most recent asset acquisitions in connection with the Company's subsidiaries KATEK Leipzig GmbH and KATEK Düsseldorf GmbH represent particularly complex transactions in which the Company purchased assets of distressed sellers – it may pose a challenge for KATEK to continue utilising these assets as envisaged and for optimisation synergies to be realised as planned.

Furthermore, the organisational integration of further companies into KATEK can be associated with considerable time and financial expenditure. It may also not be possible to achieve the desired synergy effects to the planned extent. Even a sale may be required, resulting in a complete write-off of the assets and investments.

The realisation of one or more such integration risks can have a material adverse effect on the net assets, financial position and results of operations of KATEK, and in particular on revenue. This could also cause the price of the Company's shares to fall, in which case investors could lose some or all of their investment.

1.2.3 Individual acquired companies may experience negative economic development.

If one or more of the companies KATEK acquires do not develop as planned or negatively, this could have a significant adverse effect on the assets, financial and earnings position of the Group. In the event of a negative development of one or more acquired companies, the Company may decide or be forced to undertake unplanned additional financing of the acquired company to limit the loss in value. This increases the risk to which KATEK is exposed in the relevant acquired company and can have a significantly adverse effect on the return on the capital it employed in the acquisition; this risk can be heightened in acquisitions of assets of distressed sellers, as was the case with the Company's recent transactions in connection with its subsidiaries, KATEK Leipzig GmbH and KATEK Düsseldorf GmbH.

If a negative economic environment led to a decline in earnings for the acquired companies, this would also impair the ability of these companies to distribute profits to KATEK or to reduce existing debt as planned. The reduction of existing, in part acquisition-related, debt is often an essential part of the increase in value of the acquired company. If the company defaulted on reducing its debt, this could also lead to a breach of obligations arising from loan agreements concluded with lenders. In such a case, the lenders may be entitled to terminate the loan agreements and to seize collateral.

A reduction in value or the complete loss of investments, the inability or limited ability to reduce existing debts, or the violation of obligations from loan agreements by an acquired company could have an adverse effect on the assets, financial and earnings position of the Company, and in particular on revenue. This could also cause the price of the Company's shares to fall, in which case investors could lose some or all of their investment.

1.2.4 Goodwill and other intangible assets could be significantly reduced if KATEK had to recognise impairments.

Goodwill, as presented in KATEK's consolidated balance sheet, comprises the goodwill attributable to its subsidiaries. As of 31 December 2020, the carrying amount of goodwill amounted to EUR 8.52 million, or 3.15% of KATEK's total assets as presented in the Group's audited consolidated financial statements for the year ended 31 December 2020 (the "**Audited Consolidated Financial Statements 2020**"). Intangible assets acquired for valuable consideration are intangible assets acquired from third parties and, in particular, include brand names, customer base, technology, patents and internet domains. As of 31 December 2020, the carrying value of intangible assets acquired for valuable consideration amounted to EUR 9.94 million, or 3.68% of KATEK's total assets as presented in the Group's Audited Consolidated Financial Statements 2020.

An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount which is the higher of: the fair value less cost of disposal; and the value in use. Impairment losses may result from, among other things, deterioration in performance, adverse market conditions, and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to the Group's results of operations. Therefore, depending on future circumstances, it cannot be ruled out that KATEK may not realise the full value of its goodwill. Any determination of impairment of goodwill could have an adverse effect on KATEK's business, financial condition and results of operations, and, in addition, may significantly deteriorate the confidence of investors.

1.3 Financing Risks

1.3.1 The Company is a holding company with no material business of its own, and the Company is dependent on generating external funds to secure its liquidity and to be able to meet its financial obligations.

The Company is a holding company with no material business operations of its own. The principal assets of the Company are its direct and indirect interests in its operating subsidiaries. As a result, the Company receives payments from its subsidiaries that include management service fees, charges for administrative services, interest for intra-group loans and the supply of liquidity by way of selective cash pooling, profit transfers on the basis of a profit and loss transfer agreement and dividend payments.

To date, KATEK has financed its business activities with equity and debt, including financing within the PRIMEPULSE group of companies. Loans that the Company has secured to date generally rely on the active participation of PRIMEPULSE SE. For instance, some of the loan agreements contain relatively restrictive clauses concerning the change of control of the Company (particularly if PRIMEPULSE SE ceases to own a majority interest in the Company), as described in Section "1.3.2 *KATEK is exposed to risks associated with its financing arrangements and it may not be able to extend existing financing arrangements on acceptable terms or at all.*" There is a risk that in the future it will not be possible to raise the required amount of debt and/or equity capital at economically acceptable conditions at all times or that refinancing via debt capital will fail. Furthermore, there is a risk that customers of a KATEK company may be late in meeting their trade receivables or may not meet them at all.

The availability of attractive debt capital is significantly influenced by internal factors, such as the market's credit rating based on the results of operations and financial position or management's ability to deal with existing and potential lenders, as well as external factors, such as the general level of interest rates on the market, the possibility of refinancing and extending existing liabilities, the lending policies of banks and other lenders, or changes in the legal framework.

Furthermore, it cannot be ruled out that these credit institutions may limit their willingness to grant such financing to the KATEK Group due to, for example, negative developments on the financial market, changes in regulations, laws, guidelines and other aspects of banking supervision with regard to lending, due to an adverse development of KATEK SE and/or its subsidiaries or for other reasons.

If the Company is not able to obtain adequate funding when needed, this will have a material adverse effect on its business, results of operations, financial condition and prospects and the Company may be forced to curtail or cease operations or file for insolvency proceedings, in which case investors could lose all or a part of their investment.

1.3.2 KATEK may not be able to maintain or extend existing material financing arrangements on acceptable terms or at all.

KATEK SE has material financing arrangements with Deutsche Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft providing for a credit facility and investment loans, respectively. The financing arrangement with Deutsche Bank AG has generally been granted until further notice and, may under certain circumstances be terminated by Deutsche Bank AG. Bank für Tirol und Vorarlberg Aktiengesellschaft also has the right to terminate its loans in a wide array of circumstances with little or no notice, including if PRIMEPULSE SE ceases to own a majority of the interest in the Company.

In case credit drawings are not renewed or the credit facility or loans are terminated with immediate effect, or would need to be renegotiated in a lengthy process, KATEK will be dependent on other debt or equity financing arrangements. If KATEK is not able to obtain adequate funding when needed, this will have a material adverse effect on its business, financial condition and results of operations and prospects and the Company may be forced to curtail or cease operations or file for insolvency proceedings, in which case investors could lose all or a part of their investment.

1.3.3 Loans granted by the Company to its subsidiaries may not be repaid in full or in part and the Company will further be held liable in case certain operating subsidiaries are not able to meet their financial obligations.

As holding company, the Company has assumed the function of optimizing cash flows within the Group and financing the business activities of its operating subsidiaries. As of 31 December 2020, a net amount of EUR 16,602 thousand is owed to the Company by its operating subsidiaries under separate loan agreements.

If these loans are partially or fully defaulted or if the Company would be held liable under one or more of the guarantees or letters of comfort securing the financial obligations of its subsidiaries or has to compensate significant losses under profit and loss agreements this could have a highly adverse effect on the Company's own financial condition.

1.3.4 KATEK is subject to foreign currency exchange risk, in particular, the euro-USD exchange rate risk.

While KATEK's revenue is primarily generated in euro, a part of its costs of purchased material and services is paid in foreign currencies, primarily in US dollars ("**USD**"), and to a lesser extent in Japanese yen ("**JPY**") and other currencies. Therefore, KATEK is exposed to foreign currency exchange risk as its results of operations and cash flows are subject to fluctuations in the euro / USD, and to a lesser extent, euro / JPY exchange rates, the impact of which cannot be predicted. KATEK partially engages in hedging transactions in form of forward exchange transactions to protect against uncertainty in future exchange rates between the USD and JPY and the euro for operational costs. However, if the USD or JPY strengthens against the euro, KATEK may suffer financial losses due to foreign exchange rate fluctuations. All these factors could have an adverse effect on KATEK's results of operation and financial condition, and in particular on costs.

1.3.5 KATEK is exposed to fluctuation in interest rates which could have an adverse effect on its financial condition.

Part of KATEK's bank debt bears interest at a variable rate which is based on the Euro Interbank Offered Rate ("**Euribor**") or Euro Overnight Index Average ("**Eonia**") (in each case subject to a minimum of zero) plus an applicable margin. As a result, KATEK is exposed to the risk of fluctuation in interest rates. These interest rates could rise significantly in the future, increasing KATEK's interest expense associated with these obligations and reducing cash flow available for other expenditures, which could have an adverse effect on its results of operation and financial condition, and in particular on costs.

1.4 Compliance, Legal, Regulatory and Tax Risks

1.4.1 KATEK’s risk management and internal control may not prevent or detect violations of law, which would result in an increase of its compliance costs.

The KATEK Group's risk management system contributes to the fundamental reduction and avoidance of risks in order to optimise the relationship between the Group's risk situation and Group earnings. In this context, risks are defined as adverse events resulting from potential hazards that can only be foreseen and avoided to a limited extent. Countermeasures for potential risks are continuously discussed and reviewed.

Risks with a significant negative impact on the Group's net assets, financial position and results of operations are to be identified at an early stage in order to initiate necessary measures to avoid, reduce or manage them. The Group companies are monitored and controlled by means of a detailed monthly reporting system. In particular, the key figures on business performance, deviations from targets and the continuous monitoring of risks form an integral part of the reporting system.

KATEK’s activities are subject to various laws, rules and regulations including in particular those related to the production of electro-mobility and medical devices, in the various jurisdictions in which it operates or sells its services and offerings. KATEK’s existing compliance processes and controls may not be sufficient to prevent or detect inadequate practices, fraud and violations of law or group-wide policies by its subsidiaries, intermediaries, sales agents, employees, directors and officers. There can be no assurance that KATEK's subsidiaries, intermediaries, sales agents, employees, directors and officers will effectively follow the process and KATEK may be exposed to the risk that its employees, directors, officers, sales agents, development partners or others receive or grant inappropriate benefits or generally use corrupt, fraudulent or other unfair business practices. As a result, KATEK may be exposed to legal sanctions, penalties and loss of orders as well as material harm to its reputation.

KATEK's inability to maintain effective internal controls could further affect its ability to prevent data breaches and misappropriation of information by its employees. Although KATEK has procedures in place for compliance with sanctions and other trade controls, there can be no assurance that its sanctions compliance procedure and trade controls policies will effectively prevent it from violating these regulations in every transaction in which it engages.

If KATEK fails to maintain adequate internal controls, including in relation to the handling of conflicts of interest, the prevention of corruption, bribery and violations of sanctions and other trade control laws and regulations and the handling of confidential information and information technology security, as the applicable standards regulating such actions are modified or amended from time to time, any failure to fully comply with applicable laws, rules or regulations could have a material adverse effect on its business, results of operations and financial condition, and in particular costs.

1.4.2 The Company will incur increased costs as a result of operating as a public company, and failure to comply with related requirements may damage KATEK's reputation and negatively affect an investment in the Company's shares.

As a public company whose shares are listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the sub-segment with additional post-admission obligations (Prime Standard), the Company will incur significant accounting, legal and other expenses that it did not incur as a private company. In particular, the Company will be required to issue half-year interim financial statements as well as quarterly interim reports (*Quartalsmitteilungen*) for the first time and will incur other significant costs associated with its compliance with the public company reporting requirements of the German Securities Trading Act (*Wertpapierhandelsgesetz* – "**WpHG**") (which were replaced in part as of July 3, 2016 by the Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 ("**Market Abuse Regulation**")), the German Stock Exchange Act (*Börsengesetz*) and the Stock Exchange Regulation of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*). Compliance with these rules and regulations will increase the Company's legal and financial compliance costs, introduce new costs (including stock exchange listing fees and costs related to investor relations and shareholder reporting), require management's attention and time to be spent and make certain activities more time consuming and costly. They also might make it more difficult for the Company to obtain director and officer liability insurance at reasonable costs and it may incur substantial costs to maintain sufficient coverage.

In addition, evolving laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies generally, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may change over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Company intends to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against the Company which could have an adverse effect. The Company cannot predict or estimate the amount or timing of additional costs it may incur in the future to respond to these continually evolving requirements. The impact of these requirements could also make it more difficult for the Company to attract and retain qualified persons to serve as its senior management.

The Company might fail to establish and maintain effective systems of internal control over financial reporting or other obligations related to the listing of its shares. These obligations include the obligation to issue half-year interim financial statements and quarterly interim reports for the first time and no assurance can be given that the Company will comply with such regulations in the future given the fact that it is currently in the process of adjusting its internal functions towards such future requirements. In addition, the Company has heavily relied on external advisers, and will also need to invest significantly in internal resources going forward, in order to comply with these and other relevant requirements. If the Company fails to provide the necessary data or violates any other applicable rules and regulations, it might be faced with administrative proceedings which could, among other things, result in fines being imposed on the Company and ultimately the revocation of the listing order by the Frankfurt Stock Exchange. Furthermore, such non-compliance with the applicable rules and regulations would possibly damage the Company's reputation and may negatively affect an investment in its shares. This could have a material adverse effect on the Company's business, financial condition, prospects and results of operations, and in particular costs.

1.4.3 KATEK's tax burden could increase due to changes in tax laws and regulations or their application or interpretation, as a result of current or future tax audits, or transfer pricing adjustments.

KATEK is subject to various tax regulations, mainly in Germany. The Group's tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits. Changes in tax laws or regulations, tax treaties or any change in position by the relevant authorities regarding the application, administration and interpretation (including any form of administrative guidance or through the interpretation by courts) in any applicable jurisdiction, could result in higher tax expenses and increased tax payments (prospectively or retrospectively). Furthermore, these changes could particularly impact the Group's tax receivables and tax liabilities.

In the past KATEK has been audited in regular intervals by tax authorities in various jurisdictions in particular Germany and Hungary, Bulgaria and the Czech Republic, in particular with respect to intercompany pricings, and in the context of acquisitions, an assessment by the relevant tax authorities could lead to additional tax burdens, changes in beneficial tax treatment, or other detrimental consequences. For instance, the original treatment of a tax-relevant matter in a tax return, tax assessment or otherwise could later be found incorrect or the validity of KATEK's tax groups for past and current periods could be challenged. Such (re-) assessment may be due to an interpretation or view of laws and facts by tax authorities in a manner deviating from the Group's views.

Because KATEK operates in several jurisdictions the Group is exposed to particular tax risks, in particular with regard to the so-called “transfer pricing” rules that apply in several jurisdictions, in particular including Germany, and in relation to cross-border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions per conditions which would also apply among unrelated third parties concluding comparable agreements (so-called “at arm’s length principle”) and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. Even though KATEK has established a transfer pricing model aimed at being compliant with domestic and international transfer pricing regulations, it cannot be excluded that the relevant tax authorities, in particular the German tax authorities, might not agree with, and thus challenge, the implemented transfer pricing rules. The consequence might be double taxation in the two countries, which could potentially only be mitigated or avoided by means of a mutual agreement procedure between the relevant tax authorities or certain unilateral measures. Further, KATEK's documentation may be considered to be insufficient by the relevant, in particular German, tax authorities or transfer prices may be considered to be inadequate or inadequately justified, which may lead to penalties and additional tax payments. Accordingly, as a result of the current, or future, tax audits or other reviews by the tax authorities or tax disputes, material additional taxes, interest, penalty payments and/or social security payments could be imposed on KATEK exceeding the provisions reflected in the Group's financial statements.

The Company has considerable tax loss carry-forwards. The utilisation of tax loss carry forwards, however, may be restricted under applicable German tax laws, for instance, if they forfeit upon occurrence of certain events (e.g., a direct or indirect transfer of shares or a change of control). If tax loss carry-forwards can no longer be set-off against future taxable profits, this would generally increase the Company's future tax burden. Any restriction to use tax loss carry-forwards may require an impairment of the deferred tax assets in the consolidated financial statements which would negatively affect KATEK's financial condition and results of operations.

KATEK companies could be involved in transactions with the Company's current major shareholder, PRIMEPULSE SE, or parties related to this shareholder. Such transactions, in order to be recognised for income tax purposes, also need to comply with the arm's length principle. In case of any such transactions being found not to be at arm's length, this could lead to the assessment of additional taxes payable by companies of KATEK.

All these factors could have a material adverse effect on KATEK's results of operations, cash flows and financial condition, and in particular on costs.

1.4.4 The Company is and may become subject to risks from liability claims, and other litigation and arbitration proceedings.

The KATEK Group's business activities are aimed at many different geographical markets with different legal systems, from which a number of risks arise. These include, above all, the requirements of the general economic, legal, tax and regulatory conditions prevailing in the individual countries. As a result of a breach, the company concerned could be subject to administrative measures imposed by the competent authorities in these countries, e.g. in the form of fines.

In addition, the KATEK Group is exposed to risks if the products offered by the Group companies were to be defective or fail to meet customers' quality requirements for other reasons, including disputes related to intellectual property, as described in more detail in Section "1.4.5 *KATEK's competitors have intellectual property rights that KATEK must identify and prevent infringing upon.*" In this case, subsequent claims (in particular under warranty or guarantee) as well as customer losses and thus revenue shortfalls may occur.

In particular, the Group could be subject to a variety of claims arising in the ordinary course of its business, including contract claims and claims alleging violations of intellectual property rights, or applicable laws regarding workplace and employment matters. The Group could become subject to other lawsuits related to these or different matters in the future. Regardless of whether any claims against KATEK are valid, or whether it is ultimately held liable, claims may be expensive to defend and may divert time and money away from KATEK's operations and hurt its performance. A judgment in excess of KATEK's insurance coverage for any claims could materially and adversely affect its financial condition and results of operations. Any adverse publicity resulting from these allegations may also materially and adversely affect its reputation or prospects, which in turn could adversely affect its business, financial condition and results of operations.

1.4.5 The loss of important intellectual property rights could adversely affect the Group's business, and any threat to, or impairment of, its intellectual property rights could cause the Group to incur costs to adequately protect and defend those rights.

The Group's intellectual property rights, including the KATEK trademarks, company names and company signs, are important to its business. The Group relies on a combination of patents, design and trademark registrations, intellectual property laws, as well as contractual arrangements, as appropriate, to establish and protect its intellectual property rights. The Group holds patent, design and trademark registrations for certain of its products in various jurisdictions. Such intellectual property protection is often only available for a limited period of time, and certain protections may expire in a particular country but continue to be in force in other countries. While the Group generally attempts to obtain broad patent and trademark protection by corresponding registrations, in certain instances, it may fail to obtain adequate protection. Additionally, in certain cases, the Group has intentionally not applied for intellectual property protection so as not to disclose technical details of products which could enable competitors to reverse engineer aspects of KATEK's products that it considers to represent a competitive advantage. Any failure to obtain adequate protection of KATEK's intellectual property rights, due to statutory or other restrictions or prior third-party rights, among other reasons, may result in lost revenue and growth opportunities or, in certain cases, the complete loss of the intellectual property rights in question. The Group may not be able to secure intellectual property rights in the future or be able to uphold intellectual property rights it currently holds.

If third parties infringe on the Group's intellectual property rights, it would have to defend those rights. This could result in lengthy litigation or administrative proceedings and significant litigation costs. Such proceedings may also require significant time, effort and other resources that could otherwise be devoted to the Group's business operations. There is also a risk that third parties, including competitors and, in the case of unfair competition claims, consumer protection organisations or competition authorities or associations, may claim that KATEK's products, trademarks, company marks (particularly, company names) or other designations, communications or activities infringe, or have infringed, on such third parties' intellectual property rights (particularly, patent, trademark or company name rights) or applicable unfair competition laws. In the event of such a claim, the Group may also be required to spend significant time and effort and incur significant litigation costs to defend itself, regardless of whether the claim has merit. Furthermore, any such claims, lawsuits and proceedings could result in significant payments to compensate for damages or the necessity to enter into license agreements under economically unfavourable terms. In addition, any such lawsuits, proceedings and other claims could lead to injunctions against the Group that may cause lost revenue, or even restrictions or disruption to its business and operations. In particular, if third parties infringed KATEK's intellectual property rights by pirating its products, this could also significantly damage its reputation as a result of lower quality products being sold under its brand.

The Group also relies on certain technology, know-how and business and trade secrets that cannot be protected through intellectual property rights. Consequently, there is a risk that third parties, in particular competitors, may copy such technology and know-how or develop it independently and later challenge the Group's use of it.

The German Employees Inventions Act (*Gesetz über Arbeitnehmererfindungen*) (the "**ArbnErfG**") recognises the inventor's right to claim compensation for his or her inventions from the employer. The ArbnErfG captures all inventions made during the course of employment and applies to patentable inventions, utility models and suggestions for technical improvements which are not registerable. Claims brought against KATEK under the ArbnErfG, if successful, could have adverse effects on its business, financial condition, results of operations and prospects.

In addition, employees who leave KATEK may go to work for a competitor, and in the course of their employment with KATEK, typically had access to important proprietary information which may or may not be protected by intellectual property rights. Although the Group relies on various confidentiality agreements and technical precautions to protect its technology, know-how and other proprietary information, there is no guarantee that these agreements and precautions will provide sufficient protection in the case of any unauthorised access or use, misappropriation or disclosure of such information. Defending against any unauthorised access or use, misappropriation or disclosure of KATEK's technology, know-how, and other proprietary information may result in lengthy and costly litigation or administrative proceedings and cause significant disruption to its business and operations. If the Group were unable to protect or effectively enforce its proprietary technology and information, this could have an adverse effect on its business, financial condition, results of operations and prospects, and in particular on costs.

1.4.6 KATEK's competitors have intellectual property rights that KATEK must identify and prevent infringing upon.

Third parties and specific competitors generate patents and possess intellectual property rights, to which KATEK is required to adhere. Such third-party intellectual property rights have to be identified and their relevance to the Group's products, processes and developments must be assessed. KATEK may not be aware of all patents and patent applications that may impact its ability to develop, manufacture or sell its products. Other parties may have filed, or may file in the future, patent applications covering electronic equipment manufacturing technologies similar to KATEK's. Because patents can take many years to issue, there may be applications currently pending, unknown to the Group, which may later restrict the commercialisation of certain of its products.

KATEK also sources parts, components and other raw materials from suppliers; it risks infringing on the intellectual property rights of third parties in this context as well. Due to the growing complexity of sourced components and products, monitoring such third-party intellectual property rights proves increasingly difficult. Suppliers may not notify the Company of potential issues related to such rights in all instances, and even when they do, the Company's ability to deter potential claims may be limited.

Patent license agreements are common practice in KATEK's industry; however, these might also be at risk if KATEK's counterparties were to become insolvent. Technology covered by third-party intellectual property rights may be unavailable to KATEK or available only on unfavourable terms and conditions. The validity of intellectual property rights owned by third parties may need to be challenged while at the same time alternative solutions avoiding use of third-party rights may need to be identified and developed. However, KATEK may not be successful in all cases, or may not be able to obtain all licenses necessary to use relevant technology.

Third parties may claim that the Group has infringed their intellectual property rights and initiate patent infringement litigation that could require the Group to devote substantial financial and personnel resources to defend such a claim, even in cases in which the Company has filed pre-emptive briefs (*Schutzschriften*). Depending on the outcome of any such litigation, which is usually difficult or impossible to predict, the Group may be prevented from using corresponding technologies and manufacturing or distributing certain products, and may be held liable for damages by the owners of the intellectual property rights. Disputes and litigation may lead to significant payments. It may be difficult to obtain indemnification from the supplier, should the dispute concern sourced items. Expenditures to acquire licenses, the development of alternative non-infringing technologies as well as litigation and the payment of damages in connection with the infringement of intellectual property rights owned by third parties, as well as potential court injunctions preventing KATEK from manufacturing and distributing certain products could have an adverse effect on its business, financial condition, results of operations and prospects.

1.4.7 KATEK and its customers operate in part in regulated industries, and changes in regulations or the implementation or enforcement of existing regulations, in particular concerning medical devices, could materially adversely affect it.

Certain of KATEK's products and business activities, as well as those of its customers, are subject to market standards and regulation in the jurisdictions in which they operate, *e.g*. health care market-standards and electricity charging infrastructure regulation. In particular, laws related to health care govern the protection of the health and safety of patients and users of medical devices as well as, among other things, the following activities in which KATEK and its contract counterparties, contract testing laboratories, suppliers and economic operators may be involved, including: product development, product testing (including clinical evaluations or clinical investigations), product manufacturing, product labelling, product safety, product storage, product marketing clearance and approval, product advertising and promotion, product import and export, product sales and distribution, and product performance and effectiveness. Accordingly, KATEK's business may be affected by changes in any such laws and regulations. Further, KATEK's business may be affected by new laws and regulations, in particular laws and regulations that may govern innovative products and business activities.

While the various European agencies that enforce the EU’s Council Directive 93/42/EEC concerning medical devices and Directive 98/79/EC of the European Parliament and of the Council on in vitro diagnostic medical devices (as amended, together the “**Medical Device Directives**”), as transposed into applicable laws and regulations, there are numerous other regulatory schemes at the international, national and sub-national levels to which KATEK may be subject. These regulations can be burdensome and subject to change on short notice, exposing KATEK to the risk of increased costs and business disruption. Regulatory premarket clearance, approval or conformity assessment requirements may affect or delay KATEK's ability to market new medical device products and services. KATEK may be unable to obtain marketing clearance, approval or certification mark (“**CE marking**”) for its new products and services, or modifications to existing products and services. A CE marking is a European marking of conformity that indicates that a product meets the essential requirements of the Medical Device Directives. Even if KATEK does obtain such clearance, approval or CE marking, it may take a significant amount of time and require the expenditure of substantial resources. Further, such clearance, approval or CE marking might involve stringent testing requirements, modifications, repairs or replacements of certain products and services, and could result in limitations on the proposed uses of the products and services. Regulatory authorities and legislative bodies are continuously increasing their scrutiny of the healthcare industry, and there are ongoing regulatory efforts to reduce healthcare costs that may intensify in the future and adversely affect reimbursement of medical device products and services. KATEK's business is also sensitive to any changes in tort and product liability laws.

Regulations pertaining to medical device products, services and solutions have become increasingly stringent and more common, particularly in developing countries. In the future, KATEK may become subject to more rigorous regulation by governmental authorities in this regard.

Both before and after a medical device product, service or solution is commercially distributed, there are ongoing responsibilities under various laws and regulations, in particular monitoring, corrective and preventive action and reporting responsibilities. If a regulatory authority were to conclude that KATEK were not in compliance with applicable laws or regulations, or that any of its products, services or solutions were ineffective or posed an unreasonable risk for the patients, users or others, the authority may ban such products, services or solutions, detain or seize adulterated or misbranded products, services or solutions, order a recall, repair, replacement, or refund of such products, services or solutions, and require KATEK to notify healthcare professionals and others that the products, services or solutions present unreasonable risks of substantial harm to the public health. A regulatory authority may also impose operating restrictions or enjoin certain violations of applicable law pertaining to medical devices, and assess civil or criminal penalties against KATEK. The regulatory authority may also recommend prosecution by law enforcement agencies. Any governmental law or regulation, existing or imposed in the future, or enforcement action taken may have an adverse effect on KATEK business, financial condition and results of operations or prospects.

1.4.8 Compliance with laws and regulations applicable to the manufacture and distribution of medical device products may be costly, and failure to comply may result in significant penalties.

Regulatory requirements affecting KATEK's operations and sales vary from country to country.

In order for KATEK to market certain of its products, it must obtain clearances or approvals for products and product modifications. These processes (including for example in the EU, EEA, United Kingdom, Switzerland, China, Japan and Canada) can be time consuming, expensive and uncertain, which can delay KATEK's ability to market products in those countries and areas. Delays in receipt of or failure to receive regulatory approvals, the inclusion of significant limitations on the indicated uses of a product, the loss of previously obtained approvals or failure to comply with existing or future regulatory requirements could restrict or prevent KATEK from doing business in a country or subject it to a variety of enforcement actions and civil or criminal penalties, which would adversely affect its business.

Within the EEA, for instance, KATEK must generally affix a CE marking to medical device products. This conformity to the Medical Device Directives is done through self-declaration and is, depending on the classification of the device, verified by an EU independent certification body (the "**Notified Body**"). Once the CE marking is affixed, the Notified Body will regularly audit KATEK to ensure that it remains in compliance with the applicable European laws and regulations. By affixing the CE marking to its product, KATEK certifies that the product complies with the laws and regulations required by the EEA countries, thereby allowing the free movement of the product within the countries that comprise the EEA and others that accept CE marking standards. If KATEK cannot support its performance claims and demonstrate compliance with the applicable European laws and Medical Device Directives, it would lose its right to affix the CE marking to its products, which would prevent it from selling its medical device products within the EEA, Switzerland and in other countries that recognise the CE marking. On April 5, 2017, two new EU Regulations on medical devices were adopted. They entered into force on May 25, 2017 and replace the Medical Device Directives as follows:

- in spring 2020, Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices, amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No. 1223/2009 and repealing Council Directives 90/385/EEC and 93/42/EEC (the "**Regulation on medical devices**"); and

- in spring 2022, Regulation (EU) 2017/746 of the European Parliament and of the Council of April 5, 2017 on in vitro diagnostic medical devices and repealing Directive 98/79/EC and Commission Decision 2010/227/EU (the "**Regulation on in vitro diagnostic medical devices**").

The new regulations apply directly in all EU member states without requiring any national laws or regulations to transpose them into national law. The new regulations put greater emphasis on clinical data and require more extensive documentation and product monitoring efforts. Thus, time to market will likely increase as well as related costs due to the need for additional clinical trials, and a significant increase in mandatory involvement of Notified Bodies during the conformity assessment of *in vitro* medical devices is expected.

In addition, KATEK is required to file various reports with international regulatory authorities, including reports required by international adverse event reporting regulations, that require that it reports to regulatory authorities if its devices may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur. Such reports could lead to authorisations or CE marking being revoked, and sales of KATEK's products may suffer, and it may be subject to product liability or regulatory enforcement actions, all of which could harm its business.

Further, as KATEK enters new businesses or pursues new business opportunities internationally, such as opportunities related to medical devices that require clinical trials, it may become subject to additional laws, rules and regulations. Becoming familiar with and implementing the infrastructure necessary to comply with these laws, rules and regulations is costly. In addition, failure to comply with these laws, rules and regulations could delay the introduction of new products and could adversely affect KATEK's business.

1.5 Risks related to the Company’s Shares, the Offering and the Company's Shareholder Structure

1.5.1 There is no existing market for the Company's shares and an active or liquid market might not develop.

Prior to the initial public offering of its shares, there has been no public offering of, or public trading in, the Company's shares. An active, liquid trading market for the shares might not develop or be sustained following the listing of all the Company's shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. Active trading in the shares might not develop or continue after the initial public offering, in particular given a free float of approximately 33.46% of the total share capital. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in the shares. If an active market for the shares does not develop, the liquidity and market price of the shares may be materially adversely affected. This could materially adversely affect the Company's business, financial condition, prospects and results of operations and investors could lose part or all of their investment.

1.5.2 The Company’s share price and trading volume of its shares could fluctuate significantly, and investors could lose all or part of their investment.

The trading volume and share price of the Company’s shares may fluctuate significantly. The Company’s share price will be affected primarily by the supply and demand for its shares and could fluctuate significantly in response to numerous factors, many of which are beyond the Company’s control. These factors include, among others, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts’ earnings expectations, changes in trading volumes in the Company’s shares, the development of the COVID-19 pandemic and respective countermeasures, changes in general economic conditions, changes in the activities of competitors and suppliers, regulatory changes, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or KATEK’s industry and other factors. Any such fluctuations in the Company's share price or the trading volume could cause the value of an investment in the Company's shares to drop substantially, which could have a material adverse effect on the investment in the Company's shares and investors could lose part or all of their investment.

1.5.3 The Company’s ability to pay dividends depends, among other things, on KATEK’s results of operations, financial investment needs, the availability of distributable reserves and overall financial condition.

The Company’s general shareholders’ meeting *(Hauptversammlung)* will decide matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time. The Company’s ability to pay dividends depends upon, among other things, its results of operations, financial condition, contractual restrictions, financing and investment requirements, as well as the availability of distributable profit, and is restricted by some of the Company's financing arrangements. The Company has not paid any dividends to date and no statement can currently be made as to its future distributable profits.

As the Company is a holding company with no material business operations of its own its results of operations depend on payments from its operating subsidiaries in the form of administrative charges, dividend payments or interest payments. In addition, certain reserves must be established by law at the level of the Company and must be deducted when calculating the distributable profit. Furthermore, KATEK’s future debt financing arrangements may contain covenants which impose restrictions on KATEK’s business and future debt financing arrangements may also contain covenants which limit the Company’s ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, restrict the Company’s ability to pay dividends. Moreover, the Company currently is not able to predict, if and when distributable profits will be available at all which could have a highly adverse effect on the profitability of the investment in the Company's shares as well as on the share price and the investment of the potential investor in the Company's shares.

1.5.4 Future sales of shares by the Company’s shareholders, in particular the major shareholder, or the perception that such sales occur, could depress the price of the Company’s shares, which would result in a decrease in the value of shareholders’ investments.

Even after the completion of the offering, a substantial part of the Company's shares will be held by only one shareholder, whose interests may not be aligned with those of other shareholders of the Company (see Section ***"****1.5.5 Following completion of the offering PRIMEPULSE SE will still hold a substantial shareholding in the Company and will be able to exercise a corresponding influence, and the interests of PRIMEPULSE SE could come into conflict with the interests of other investors.*") and who may dispose of its shares in the Company at any time. Sales of a substantial number of the Company’s shares in the public market or the perception that such sales might occur, could depress the market price of the Company’s shares and could impair the Company’s ability to raise capital through the sale of additional equity securities. If this happens, or if one or more of the Company’s other shareholders effect a sale or sales of a substantial number of the Company’s shares, or if the market believes that such sales might take place, this could have a highly adverse effect on the share price of the Company’s shares and the investment in the Company's shares.

1.5.5 Following completion of the offering PRIMEPULSE SE will still hold a substantial shareholding in the Company and will be able to exercise a corresponding influence, and the interests of PRIMEPULSE SE could come into conflict with the interests of other investors.

Upon completion of the offering, PRIMEPULSE SE will still directly hold at least 59.14% of the shares and voting rights of the Company. Therefore, PRIMEPULSE SE will be in a position to control shareholder resolutions passed by the general shareholders' meeting *(Hauptversammlung)* of the Company that require a simple majority of the votes cast or the represented share capital. This includes, *inter alia*, the distribution of dividends, the elections of members of the supervisory board and most changes to the Company's articles of association. Further, PRIMEPULSE SE may, depending on the shareholder presence at the general shareholders’ meeting of the Company, also be in a position to control the resolutions passed by the general shareholders’ meeting *(Hauptversammlung)* of the Company that require a qualified majority of the votes cast or the represented share capital. This includes, resolutions concerning capital measures to finance acquisitions or for other purposes, in particular capital increases and authorised capital, and structural measures (e.g., approval of enterprise, merger, spin-off or other major agreements). In addition, as long as PRIMEPULSE SE holds more than 25% of the shares represented at the general shareholders' meeting, PRIMEPULSE SE will be able to prevent resolutions from being adopted at the general shareholders' meeting *(Hauptversammlung)* of the Company which require a qualified majority of the votes cast or the represented share capital. In connection with the exercise of its voting rights, the interests of PRIMEPULSE SE may be in conflict with those of the other shareholders and the Company and PRIMEPULSE SE may exert influence and cast its votes to take or block resolutions or implement measures that are in its own interest and not supported by or in the best interest of the Company or block resolutions or measures that are opposed to its interest but would be in the best interest of the Company or other shareholders. Such voting behaviour or the exertion of influence in any other way may have a material adverse effect on the price of the Company's shares. Moreover, if PRIMEPULSE SE does not participate in a capital increase proposed by the Company in the future, the Company's efforts to raise new capital could be undermined.

As of the date of the Prospectus, the chair of the Supervisory Board, Klaus Weinmann, is at the same time member of the executive board of PRIMEPULSE SE. Since the interests of PRIMEPULSE SE and the Company will not necessarily always coincide or be aligned, the aforementioned dual office could result in conflicts of interest for him.

All these factors could cause the share price to decline and have an adverse effect on the Company's business, financial condition and results of operations as well as on the investment of the potential investor in the Company's shares.

1.5.6 Future offerings of debt or equity securities by the Company may adversely affect the market price of the Company's shares, and future capital measures could lead to a significant dilution of existing shareholdings in the Company.

The Company may require further capital in the future to finance its business operations and planned growth or to fulfil regulatory requirements. Therefore, the Company may seek to raise capital through offerings of debt securities (possibly including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with a right to convert into equity, such as convertible bonds or warrant bonds could adversely affect the market price of the Company's shares and would dilute the economic and voting interests of existing shareholders if made without granting subscription rights to existing shareholders. Even if existing shareholders were granted subscription rights, investors in certain jurisdictions may not be able to acquire or exercise any subscription rights due to local laws.

Because the timing and nature of any future offering would depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by KATEK's employees in the context of future stock option plans or the issuance of shares to employees in the context of such plans, could lead to a dilution of the economic and voting interests of existing shareholders. Furthermore, a proposal to the general shareholders' meeting *(Hauptversammlung)* to take any of the above-mentioned measures, with dilutive effects on the existing shareholdings, or any other announcement thereof, could have an adverse effect on the market price of, and therefore, on the investment in the Company's shares.

1.5.7 The offering may expire if the Joint Bookrunners terminate the Underwriting Agreement for the Offered Shares or the offering is cancelled by the Company.

The Company and the Joint Bookrunners have entered into an Underwriting Agreement, pursuant to which the Joint Bookrunners have undertaken to subscribe for the Offered Shares and to offer such Offered Shares to the public for subscription. The Underwriting Agreement is subject to a number of conditions and can be terminated by the Joint Bookrunner under certain circumstances. Any investors engaging in short selling transactions may be unable to meet their obligation to deliver Offered Shares, which could have an adverse effect on the investors' financial condition.

2. GENERAL INFORMATION

2.1 Responsibility Statement; Prospectus amendments; LEI; Website; Assertion of claims

KATEK SE, with its registered seat in Munich, Germany, and its business address at Promenadeplatz 12, 80333 Munich, Germany, a European stock corporation (*societas Europaea*) registered with the Commercial Register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany, (the "**Commercial Register**"), under number HRB 245284, telephone +49 89 24881-4280, website https://katek-group.de/ (the "**Company**" or the "**Issuer**", and together with its subsidiaries, "**KATEK**" or the "**Group**") together with Hauck & Aufhäuser Privatbankiers Aktiengesellschaft, Kaiserstraße 24, 60311 Frankfurt, Germany, corporate seat Frankfurt, Germany, LEI: 529900OOZP78CYPYF471 (telephone + 49 69 21610) (the "**Sole Global Coordinator**") and M.M.Warburg & CO (AG & Co.) KGaA, Ferdinandstraße 75, 20095 Hamburg, Germany, corporate seat Hamburg, Germany, LEI: MZI1VDH2BQLFZGLQDO60 (telephone +49 40 3282-0) (together with the Sole Global Coordinator, the "**Joint Bookrunners**" and each a **"Joint Bookrunner**") assume responsibility for the contents of this prospectus (the "**Prospectus**") pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and Article 11(1) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), and hereby declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

In particular,

a. this Prospectus has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht, **"BaFin"***), Marie-Curie-Straße 24-28, 60439 Frankfurt am Main, Germany (telephone +49 228 4108 0; website: www.bafin.de), as competent authority under the Prospectus Regulation;

b. BaFin only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation;

c. such approval should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Prospectus; and

d. investors should make their own assessment as to the suitability of investing in the securities.

The disclosures made in this Prospectus are made in accordance with Annexes 1 and 11 of Delegated Regulation (EU) 2019/980.

Neither the Company nor the Joint Bookrunners are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates that every significant new factor, material mistake or material inaccuracy in relation to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay. In any event, the obligation to supplement a prospectus does no longer apply when a prospectus is no longer valid. The validity of the Prospectus will expire on 4 May 2021.

The Company's LEI is: 5299000GH0E40P6I9F13.

The Company's website is https://katek-group.de/. Information contained on the Company's website is not incorporated by reference in this Prospectus and is not part of this Prospectus.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the relevant member states of the European Economic Area (the "**EEA**").

2.2 Purpose of this Prospectus

This Prospectus relates to the public offering in Germany of 3,948,042 ordinary bearer shares (*auf den Inhaber lautende Aktien*) of the Company with no-par value (*Stückaktien*) and each such share with full dividend rights as of 1 January 2021, consisting of:

- 3,433,080 newly issued ordinary bearer shares (*auf den Inhaber lautende Aktien*) of the Company with no-par value (*Stückaktien*) and each such share with full dividend rights as of 1 January 2021 (the "**New Shares**") from the Capital Increase (as defined in Section *"3.1 Subject Matter of the Offering*") against contribution in cash; and

- 514,962 existing ordinary bearer shares (*auf den Inhaber lautende Aktien*) of the Company with no-par value (*Stückaktien*) and each such share with full dividend rights as of 1 January 2021 originating from the shareholdings of PRIMEPULSE SE and grosso tec AG in connection with a potential over-allotment ("**Over-Allotment Shares**"). In order to cover a potential over-allotment, PRIMEPULSE SE and grosso tec AG granted the Joint Bookrunners an option to purchase the Over-Allotment Shares in order to satisfy the retransfer obligation of the Joint Bookrunners under the securities loan ("**Greenshoe Option**").

New shares and Over-Allotment Shares are referred to collectively as "**Offered Shares**" and individually as "**Offered Share**".

The Offering consists of a public offering in Germany ("**Public Offering**") and private placements in certain jurisdictions outside the United States of America ("**United States**" or "**US**"), including Germany. Outside the United States, the Offered Shares will be offered and sold only in offshore transactions in reliance on Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**") ("**Private Placement**" and together with the Public Offering referred to collectively as the "**Offering**"). The Offered Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States of America.

Furthermore, for the purposes of the admission to trading to the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) this Prospectus relates to up to 13,241,880 of the Company's shares.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Offered Shares offered by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

PRIMEPULSE SE and grosso tec AG has each provided the Joint Bookrunners the Greenshoe Shares from its shareholdings within the framework of a securities lending transaction for no consideration for the sole purpose of servicing a possible over-allotment within the framework of the Offering.

2.3 Forward-looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on KATEK's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which it is exposed.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause KATEK's actual results, including its financial condition and profitability, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections of this Prospectus describing risk factors, markets and competition, the Company’s business and Recent Developments and Outlook, and wherever information is contained in this Prospectus regarding the Company’s intentions, beliefs, or current expectations relating to its future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which KATEK is subject. Forward-looking statements should not be relied upon as predictions of future events.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus will not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see Section “2.4 *Information from Third Parties*”).

Moreover, it should be noted that neither the Company nor the Joint Bookrunners assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. The Company may not actually achieve the plans, intentions or expectations disclosed in the forward-looking statements, and one should not place undue reliance on these forward-looking statements. These forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

2.4 Information from Third Parties

Statements in the Prospectus regarding the market environment, market developments, growth rates, market trends and the competitive situation within the markets and segments in which KATEK operates are based on data, statistical information, sector reports and third-party studies, as well as the Company´s estimates, which are – unless otherwise indicated – based on internal market observations and/or studies commissioned by KATEK.

In drafting the Prospectus, the following third-party sources were used:

- "**Boston Consulting Group, 2020**": Who Will Drive Electric Cars to the Tipping Point? Detroit: The Boston Consulting Group. Retrieved 9 February 2021;
- "**IEA, 2020**": European Union 2020. Paris: IEA. Retrieved 9 February 2021, from European Union 2020: https://www.iea.org/reports/european-union-2020;
- "**ifo, 2020**": *ifo Economic Forecast Winter 2020*, published on 16 December 2020. Retrieved 10 February 2021;
- "**Krajinska, 2020**": Road to Zero: the last EU emission standard for cars, vans, buses, and trucks. European Federation for Transport and Environment AISBL. Brussels, Belgium: Transport & Environment. Retrieved 9 February 2021;
- "**Mathieu, 2020**": Recharge EU: how many charge points will Europe and its Member States need in the 2020s. European Federation for Transport and Environment AISBL. Brussels, Belgium: Transport & Environment. Retrieved 9 February 2021;
- "**McKinsey Center for Future Mobility, 2020**": The road ahead for e-mobility. McKinsey & Company. Retrieved 9 February 2021;
- "**Ram, 2019**": Ram M., Bogdanov, D., Aghahosseini, A., Gulagi, A., Oyewo, S., Child, M., Dalheimer, B. (2019, March). Global Energy System based on 100% Renewable Energy – Power, Heat, Transport and Desalination. Berlin: Study by Lappeenranta University of Technology and Energy Watch Group, Lappeenranta. Retrieved 9 February 2021;
- "**SolarPower Europe, 2020**": EU Market Outlook for Solar Power 2020-2024. Retrieved 9 February 2021, from SolarPower Europe Website: https://www.solarpowereurope.org/european-market-outlook-for-solar-power-2020-2024/; and
- "**Weiß, 2021**": Die EMS Industrie - eine Branche wird erwachsen. Königswinter: in4ma complemented by Weiss, D. G. (2021). *List of Top 10 EMS/ODM companies in DACH 2020.* Königswinter: in4ma.

It should be noted in particular that references have been made in this Prospectus to information concerning markets and market trends. Such information was either based on estimates of the Company or obtained from the above-mentioned sources, as indicated by quoting the source in each case. If such information was obtained from the above-mentioned sources the Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may be inaccurate or inappropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Joint Bookrunners (see Section "2.1 *Responsibility Statement*"), neither the Company nor the Joint Bookrunners have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Joint Bookrunners make no representation or warranty as to the accuracy, completeness or verification of any such information from third party sources included in this Prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

Information contained on any websites mentioned in this Prospectus is not incorporated by reference in this Prospectus and is not part of this Prospectus. The information on the websites accessible by hyperlinks contained in this Prospectus does not form part of the Prospectus and has not been scrutinised or approved by the BaFin.

2.5 Currency Presentation and Presentation of Figures

In this Prospectus, “euro”, “EUR” and “€” refer to the single European currency adopted by certain participating member states of the EU, including Germany; "USD" and "$" refer to the US dollar, the currency and legal tender of the United States of America; "JPY" refers to the Japanese yen, the currency and legal tender of Japan; "HUF" refers to the Hungarian forint, the currency and legal tender of Hungary; "BGN" refers to the Bulgarian lev, the currency and legal tender of Bulgaria; and "CZK" refers to the Czech koruna, the currency of the Czech Republic.

Where financial information in the tables of this Prospectus is labelled “audited”, it has been taken from the Audited Consolidated Financial Statements or the Audited Annual Financial Statements (as defined in Section "2.6.1 *Overview of Financial Statements*" below). The label “unaudited” is used in this Prospectus to indicate financial information that has not been taken from the Audited Consolidated Financial Statements or the Audited Annual Financial Statements, but has been derived from the Audited Consolidated Financial Statements or the Audited Annual Financial Statements or has been taken or derived from the Company´s accounting records or management recording or is based on calculations of figures from the aforementioned sources and has not been audited. All of the financial information presented in this Prospectus is shown in thousands of euro (€/EUR in thousands), except as otherwise stated. Certain financial information (including percentages) in this Prospectus has been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation to one another) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in tables in this Prospectus may not correspond in all cases to the corresponding rounded amounts contained in tables in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in this Prospectus, a dash (“-”) signifies that the relevant figure is not applicable, while a zero (“0”) signifies that the relevant figure (i) is available but is or has been rounded to zero or (ii) is not applicable.

2.6 Presentation of Financial Information

All financial information included in this Prospectus, other than to the extent otherwise indicated, has been taken or derived from the Audited Consolidated Financial Statements, the Audited Annual Financial Statements (each as defined in Section "2.6.1 *Overview of Financial Statements*" below) or the Company’s internal reporting system.

2.6.1 Overview of Financial Statements

This Prospectus includes:

(i) the audited consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Sections 315e of the German Commercial Code (*Handelsgesetzbuch*), as of and for the financial year ended 31 December 2020, (the "**Audited Consolidated Financial Statements 2020**");

(ii) the audited consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Sections 315e of the German Commercial Code (*Handelsgesetzbuch*), as of and for the financial year ended 31 December 2019, (the "**Audited Consolidated Financial Statements 2019**" and together with the Audited Consolidated Financial Statements 2020, the "**Audited Consolidated Financial Statements**");

(iii) the audited annual financial statements of the Company prepared in accordance with German GAAP as of and for the financial year ended 31 December 2018 (the "**Audited Annual Financial Statements 2018**" and together with the Audited Annual Financial Statements 2020, the "**Audited Annual Financial Statements**"); and

(iv) the audited annual financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch,* "**HGB**") and German generally accepted accounting principles (together with HGB, "**German GAAP**") as of and for the financial year ended 31 December 2020 (the "**Audited Annual Financial Statements 2020**").

(collectively, the "**Financial Statements**").

By agreement dated 17 December 2018, shares of KATEK Memmingen GmbH (Memmingen) and Katek GmbH (Grassau) were absorbed into KATEK SE, with effect as of 31 December 2018 / 1 January 2019. As a result, the partial group was formed effective 1 January 2019, and KATEK SE was not required to prepare consolidated financial statements for the year ended 31 December 2018.

Ebner Stolz GmbH & Co. KG ("**Ebner Stolz**"), through its office located at Kronenstrasse 30, 70174 Stuttgart, Germany, has acted as statutory auditor of the Company's Financial Statements, on each of which it issued an unqualified independent auditor’s report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*).

2.6.2 Alternative Performance Measures

This Prospectus contains certain alternative performance measures (collectively, "**APMs**") including Net Working Capital, EBITDA, Adjusted EBITDA, EBITA, Adjusted EBITA, EBIT, Adjusted EBIT, Adjusted EBITDA Margin and EBT (each as defined below) that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles. All of these measures are derived from the Company's IFRS accounts. These are APMs as defined in the guidelines issued by the European Securities and Markets Authority ("**ESMA**") on 5 October 2015 on Alternative Performance Measures (the "**ESMA Guidelines**").

The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of KATEK’s operating results as reported under IFRS or German GAAP. APMs such as Net Working Capital, EBITDA, Adjusted EBITDA, EBITA, Adjusted EBITA, EBIT, Adjusted EBIT, Adjusted EBITDA Margin and EBT are not measurements of KATEK’s or the Company’s performance or liquidity under IFRS or German GAAP or any other generally accepted accounting principles and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, German GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

KATEK has defined each of the following APMs as follows:

- **Adjusted EBIT** means EBIT adjusted for one-off costs and income, mainly related to IPO costs (2020 only), mergers and acquisitions ("**M&A**") and integration cost of acquired subsidiaries and restructuring related costs;
- **Adjusted EBITA** means EBITA adjusted for one-off costs and income, mainly related to IPO costs (2020 only), M&A and integration cost of acquired subsidiaries and restructuring related costs;
- **Adjusted EBITDA** means EBITDA adjusted for one-off costs and income, mainly related to IPO costs (2020 only), M&A and integration cost of acquired subsidiaries and restructuring related costs;
- **Adjusted EBITDA Margin** means the quotient of Adjusted EBITDA divided by total output, expressed as a percentage;
- **EBIT** means earnings before interest and tax, as shown in the Audited Consolidated Financial Statements;
- **EBITA** means EBIT adjusted for amortisation;
- **EBITDA** means earnings before interest, tax, depreciation and amortisation as shown in the Audited Consolidated Financial Statements;
- **EBT** means earnings before taxes, as shown in the Audited Consolidated Financial Statements; and
- **Net Working Capital** means the sum of inventories, trade receivables and receivables from factoring less trade payables and payments received on account of orders.

KATEK presents these APMs because each of them is used by management in monitoring, evaluating and managing its business and management believes these measures provide an enhanced understanding of KATEK's underlying results and related trends.

Further, KATEK considers each of these APMs to be useful metrics for evaluating KATEK's performance as they facilitate comparisons of KATEK's core operating results from period to period. EBITDA is the primary operating performance measure that the Company uses because it removes the impact of actual and deferred taxes, financial income and expenses and other non-operative factors, which the Company believes makes EBITDA a meaningful measure to evaluate the performance of the Company's business activities over time and to enhance the ability of investors to compare profitability. EBITA serves a comparable purpose, allowing the Company to analyse its performance while taking into account depreciation of property, plant and equipment as a measure of the utilization of tangible production factors and excluding any charge for intangible assets, such as customer base. EBIT and EBT are also used as operating performance assessment measures, excluding interest expenses and income as well as taxes in the case of EBIT and taxes in the case of EBT. Adjusted EBITDA, Adjusted EBITA, Adjusted EBIT and Adjusted EBITDA margin allow the Company to assess its operating performance on the basis of actual operating results without taking into consideration one-off effects related to IPO costs, M&A and integration cost of acquired subsidiaries and costs related to restructuring, which allows for a more narrowly tailored focus on operating factors. On the other hand, Net Working Capital, as a measure of capital employed in operating activities, allows the Company to optimise the management of current projects on a continuing basis.

Finally, management believes each of these APMs and similar measures are frequently used by securities analysts, investors and other interested parties in evaluating companies in its industry.

A reconciliation of Net Working Capital to most directly comparable IFRS figures included in the Audited Consolidated Financial Statements is included in Section "9.2.7 *Net Working Capital*

Management" while a reconciliation of Adjusted EBIT, EBITA, Adjusted EBITA and Adjusted EBITDA is included in Section *"*9.6 *Alternative Performance Measures".*

2.7 Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection during regular business hours at the Company's office at Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280):

- the Company's articles of association (the "**Articles of Association**"); and
- the Financial Statements.

The Company's Articles of Association and the Financial Statements are and will be available on the "Investor Relations" section of the Company's website (https://katek-group.de/investor-relations/). The Company's Financial Statements are also published in the German Federal Gazette (*Bundesanzeiger*) in compliance with applicable due dates.

3. THE OFFERING

3.1 Subject Matter of the Offering

The Offering relates to 3,948,042 Offered Shares, which corresponds to 40.25% of the Company's current share capital as set out in Section "2.2 *Purpose of this Prospectus*."

By resolution of the extraordinary general shareholders' meeting held on 20 April 2021, the Company's share capital was increased from EUR 9,808,800.00 by up to EUR 3,433,080.00 to up to EUR 13,241,880.00 by issuing up to 3,433,080 New Shares against contribution in cash (the "**Capital Increase**").

Based on the underwriting agreement entered into on 20 April 2021 between the Company and the Joint Bookrunners (the "**Underwriting Agreement**"), the Joint Bookrunners have agreed, subject to certain conditions, to subscribe for the Offered Shares and to offer the Offered Shares at the Offer Price (as defined in Section "3.2 *Terms and Conditions of the Offering*" below) (the "**Offering**").

Hauck & Aufhäuser Privatbankiers Aktiengesellschaft is acting as Sole Global Coordinator, and together with M.M.Warburg & CO (AG & Co.) KGaA as Joint Bookrunners.

In making an investment decision, investors must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved.

None of the Company, the Joint Bookrunners or any of their respective affiliates, is making any representation to any offeree or purchaser of the Offered Shares regarding the legality of an investment in the Offered Shares by such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offered Shares.

The investors also acknowledge that: (i) they have not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this document, and (iii) that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Offered Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Joint Bookrunners.

3.2 Terms and Conditions of the Offering

The Offered Shares are being offered by the Joint Bookrunners for purchase in euro. The price range within which purchase offers may be submitted in the phase of the Public Offering lies between EUR 21.00 and EUR 26.00 per share ("**Price Range**").

The period during which purchase offers may be submitted begins on 22 April 2021 and ends on or about 28 April 2021 (i) at 12 noon CEST for retail investors (natural persons) and (ii) at 2 p.m. CEST for institutional investors ("**Offer Period**").

After expiry of the Offer Period, expected to take place on or around 28 April 2021, the final number of the Offered Shares and the offer price ("**Offer Price**") will be determined by the Company after consultation with the Joint Bookrunners using the order book prepared during the book building process. The determination of the Offer Price and the determination of the final number of Offered Shares to be placed will be based on the purchase orders submitted by investors during the Offer Period which will be collected in the order book. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. Consideration will also be given to whether the Offer Price and the number of Offered Shares to be placed allow for the reasonable expectation that the price of the Company's shares will demonstrate steady performance in the secondary market after the Listing (as defined in Section "3.8 *Stock Market Admission*" below) given the demand for the Offered Shares noted in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wishing to purchase Offered Shares at a particular price but also to the composition of the group of shareholders in the Company that would result at a given price (so-called investor mix) and expected investor behaviour. After the Offer Price and the final number of Offered Shares to be placed are determined, the Offered Shares will be allotted to investors as set out in more detail below.

Neither the Company nor the Joint Bookrunners will charge investors any expenses or taxes incurred in connection with the Offering. The subscription costs of the investors depend exclusively on the conditions of the depository bank. Claims regarding any subscription fees already paid and costs incurred by an investor in connection with the purchase order depend exclusively on the legal relationship between the investor and the financial institution to which the investor submitted its purchase order.

Institutional investors may place subscription offers directly with the Joint Bookrunners during the Offer Period. Retail investors can place orders for the Public Offering in Germany with the Joint Bookrunners or their respective depositary banks during the Offer Period. Investors are permitted to place multiple subscriptions.

The Issuer will not charge any special fees or taxes related to the Offering. The subscription costs for investors are based solely on the terms and conditions of the depositary bank. Claims for any subscription fees and costs that have been paid in relation to the subscription are therefore entirely between the investor and the financial institution at which the investor lodged its purchase order.

Jointly with the Joint Bookrunners, the Issuer reserves the right to reduce or increase the number of Offered Shares, to raise or lower the upper/lower limit of the Price Range and /or prolong or shorten the Offer Period. Changes to the number of Offered Shares, changes to the Price Range or changes to the Offer Period will not invalidate any purchase offers already submitted. If the option to change the number of Offered Shares, the Price Range or the Offer Period is exercised (collectively referred to as the "**Terms and Conditions of the Offer**"), this change will be published via electronic media (*e.g*. Reuters or Bloomberg) and, where required under the terms of the Market Abuse Regulation, published as a supplement to this Prospectus or as a public disclosure. However, investors that have submitted purchase orders will not be informed individually.

Under certain circumstances, the Issuer is entitled to terminate the Offering prematurely or even after expiry of the Offer Period at any time before 2 p.m. CEST on the settlement date (prospectively 4 May 2021). Termination may be considered if the Joint Bookrunners withdraw from the Underwriting Agreement between the Issuer and the Joint Bookrunners that was entered into on 20 April 2021 ("**Underwriting Agreement**").

If any changes that require publication of a supplement are made, the investors who have submitted a purchase order prior to publication of the supplement may, under Article 23 of the Prospectus Regulation, withdraw their purchase orders within two working days after publication of the supplement.

After expiry of the Offer Period, the Offer Price for the Offered Shares subscribed to during the phase of the Public Offering and the final number of the Offered Shares will be set jointly by the Issuer and Joint Bookrunners. The Offer Price and number of the Offered Shares will be set on the basis of the purchase orders that investors have submitted in the Offer Period and are collated in the Order Book compiled in the course of the book-building process. The setting of the Offer Price and the number of the Offered Shares is expected to occur on or about 28 April 2021. The purchase orders will be assessed on the basis of the price offered and the investment horizon of the respective investor. The method to determine the shares placed at the Offer Price within the framework of the Offering is fundamentally aimed at generating the highest possible proceeds from the Offering. Nevertheless, care will be taken to determine whether the Offered Price and the number of shares placed provide a reasonable indication that the share price will develop in a stable fashion in the future, based on the demand for the shares of the Issuer recorded in the Order Book.

The allotment of Offered Shares to retail investors and institutional investors will be decided by the Company after consultation with the Joint Bookrunners. With regard to institutional investors, the Offered Shares will be allotted on the basis of the quality of the individual investors, the content of the individual purchase orders and other relevant allotment criteria, such as the investment horizon of the respective investor. In addition, the Issuer and the Joint Bookrunners will also endeavour to allot the Offered Shares in a manner that increases the likelihood of orderly and liquid trading on the stock exchange after conclusion of the Offering. With respect to the purchase orders to retail investors, the Company and the Joint Bookrunners will adhere to the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued on 7 June 2000 by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*). In the event that the Offered Shares are over-subscribed, the Issuer and the Joint Bookrunners will determine the details of the allotment process for retail investors after expiry of the Offer Period taking account of Art. 12 of the "Principles for the Allotment of Share Issues to Retail Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued by the "Commission of Stock Exchange Experts of the German Federal Ministry of Finance" (*Börsensachverständigenkommission*) on 7 June 2000 and publish them accordingly.

The Offer Price and the final number of Offered Shares placed within the framework of the Offering will tentatively be published on the "Investor Relations" section of the website of the Issuer on or about 28 April 2021 at https://katek-group.de/investor-relations/ and in a press release that will be disseminated via an electronic information dissemination system. Retail investors who have submitted purchase orders for the Offered Shares with the Joint Bookrunners or their depositary bank can obtain information on the Offer Price and the number of Offered Shares allotted to them from their depositary bank on the working day following the day on which the Offer Price is determined.

Multiple purchase orders by investors are allowed. Purchase orders can be freely revoked until the end of the Offer Period, unless otherwise agreed individually. It is possible to withdraw from a properly made purchase order until the end of the Offer Period. Usually, even in the event of a partial or full withdrawal or reduction in a purchase order, it will not be necessary to reimburse overpaid amounts, since the allocation of the Offered Shares will take place after the end of the Offer Period by way of payment against delivery and investors therefore do not pay the Offer Price in advance. If, in individual cases, an investor already paid the relevant amounts and then withdraws its purchase order in full or in part, or reduces its purchase order, the paid amount will be reimbursed to the investor immediately to the bank account used for the deposit.

Delivery of the allotted Offered Shares will be made by joint custody arrangement in return for payment of the Offer Price, prospectively on 4 May 2021. In the event that the number of the Offered Shares is insufficient to satisfy all purchase orders at the Offer Price, the Joint Bookrunners reserves the right to reject orders or to only accept them in part.

3.3 Expected Timetable for the Offering

The expected timetable for the Offering, which may be extended or shortened, is as follows:

21 April 2021	Approval of this Prospectus by the BaFin Publication of the approved Prospectus on the Company's website (https://katek-group.de/investor-relations/) Application for the Listing
22 April 2021	Start of the Offer Period
28 April 2021	End of the Offer Period, at 12:00 noon CEST for retail investors (individuals) and at 2 p.m. CEST for institutional investors
28 April 2021	Determination of the final Offer Price and the final number of Offered Shares placed in the Offering Publication of the final Offer Price and the final number of Offered Shares placed in the Offering on the Company's website (https://katek-group.de/investor-relations/)
29 April 2021	Allotment of Offered Shares to investors
30 April 2021	Registration of the implementation of the Capital Increase in the Commercial Register
3 May 2021	Admission of the Company's shares to the regulated market with simultaneous admission to the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)
4 May 2021	First day of trading of the Company's shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) Book-entry delivery of the Offered Shares.

This Prospectus will be published on the Company's website (https://katek-group.de/investor-relations/) under the "Investors Relations" section. Printed copies of this Prospectus are available from the Company free of charge during regular business hours at Promenadeplatz 12, 80333 Munich, Germany.

3.4 Underwriting Agreement

On 20 April 2021, the Company, PRIMEPULSE SE, grosso tec AG and the Joint Bookrunners entered into the Underwriting Agreement relating to the offer and sale of the Offered Shares in connection with the Offering.

In the Underwriting Agreement, the Joint Bookrunners have agreed, subject to certain conditions, to subscribe for the Offered Shares at the Offer Price and to offer the Offered Shares for sale to the public in Germany, and to qualified investors in private placements in Germany and other selected jurisdictions outside the United States of America in offshore transactions in reliance on Regulation S under the Securities Act at a price within the Price Range. The Joint Bookrunners' obligations are subject to the following underwriting quotas: 80% for Hauck & Aufhäuser Privatbankiers Aktiengesellschaft and 20% for M.M.Warburg & CO (AG & Co.) KGaA. The Underwriting Agreement does not include a firm commitment by the Underwriters to acquire the Offered Shares.

The obligations of the Joint Bookrunners are subject to various conditions, including, but not limited to, (i) the absence of a material adverse event, e.g., a material adverse change in or affecting the business, prospects, management, consolidated financial position, share capital, shareholders' equity, long-term debt or results of operations of KATEK, or a suspension in trading of the Company's securities or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange, (ii) receipt of customary certificates, legal opinions, auditor comfort letters, and (iii) the admission of the Company's shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Joint Bookrunners have provided and may in the future provide services to KATEK in the ordinary course of business and may extend credit to and have regular business dealings with KATEK in their capacity as financial institutions. For a more detailed description of the interests of the Joint Bookrunners in the Offering, see Section "3.11 *Interests of Parties Participating in the Offering*".

The Underwriting Agreement provides that the Joint Bookrunners may, under certain circumstances, terminate the Underwriting Agreement, including after the Company's shares have been listed, up to delivery and settlement.

The Company has agreed in the Underwriting Agreement to indemnify the Joint Bookrunners against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

Under the terms and conditions of the Underwriting Agreement, the Underwriters will receive a management and placing fee of up to 4.00% of the aggregate gross proceeds of the Offering (including any proceeds from exercising the Greenshoe Option). In addition, the Company, PRIMEPULSE SE and grosso tec AG may, at their discretion and based upon their assessment of the success of the Offering, decide to pay the Underwriters an additional fee of up to 1.00% of the aggregate gross proceeds of the Offering (including any proceeds from exercising the Greenshoe Option).

3.5 Selling Restrictions

This Prospectus does not constitute an offer of the Offered Shares for sale in the United States of America (the "**United States**"). The Offered Shares may not be offered or sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended (the "**Securities Act**"). The Offered Shares have not been and will not be registered under the Securities Act or with the securities regulatory authority of any state or other jurisdiction of the United States. There will be no public offer of the Offered Shares in the United States. The Offered Shares may at no time be offered, sold, exercised, pledged, transferred or delivered directly or indirectly, to or within the United States, Canada, Japan or Australia.

The Offered Shares will only be publicly offered in the Federal Republic of Germany ("**Germany**"). The acceptance of the offer outside of Germany may be subject to restrictions. Persons who wish to accept this offer outside of Germany are requested to inform themselves with regard to existing restrictions outside of Germany and to comply with such restrictions.

This Prospectus is only addressed to and directed at persons in member states of the European Economic Area ("**EEA**") (other than Germany) who are "qualified investors" within the meaning of Article 2(e) of the Regulation (EU) 2017/1129 as amended.

In the United Kingdom, this Prospectus is directed at and/or for distribution only to (i) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) high net worth companies falling within article 49(2)(a) to (d) of the Order or (iii) other persons to whom this information may otherwise lawfully be communicated (all such persons are collectively referred to herein as "**relevant persons**"). The

Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

This Prospectus has been approved solely by BaFin as competent authority under Prospectus Regulation (see Section "2.1 *Responsibility Statement*").

3.6 Target Market Assessment

Information for distributors: Solely for the purpose of the product governance requirements contained within (i) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits and (iii) local implementing measures (together, the "**MiFID II Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Requirements) may otherwise have with respect thereto, the Offered Shares have been subject to a product approval process. As a result, it has been determined that such Offered Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the distributors (for the purposes of the MiFID II Requirements) should note that: the value and the price of the Offered Shares may decline and investors could lose all or part of their investment. The Offered Shares offer no guaranteed income and no capital protection, and an investment in the Offered Shares is suitable only for investors who:

- do not need a guaranteed income or capital protection;
- either alone or together with an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment; and
- who have sufficient resources to be able to bear any losses that may result from such investment, including up to the total amount invested.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions with respect to the Offering. For the avoidance of doubt, the Target Market Assessment does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action whatsoever with respect to the Offered Shares. Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Offered Shares and determining appropriate distribution channels.

3.7 Lock-up Agreement

In the Underwriting Agreement, the Company has agreed with the Joint Bookrunners that the Company, its Management Board or its Supervisory Board will not, and will not agree to do the following for a period of 12 months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on 4 May 2021) without the prior written consent of the Sole Global Coordinator:

- directly or indirectly issue, sell, offer, commit to sell, or otherwise dispose of, shares of the Company originating from a capital increase, or from its own shareholdings;
- directly or indirectly issue, sell, offer, commit to sell or otherwise dispose of securities that can be converted into shares of the Company or a right to acquire shares in the Issuer, or to

work towards or propose to the general shareholders' meeting to pass a resolution on their issue;

- announce or execute a capital increase from authorised capital;
- propose a resolution to the general shareholders' meeting to increase capital; and
- conclude any transactions (including transactions in derivatives) or undertake any other measures that have an economic effect corresponding to the above,

in each case of the five bullets above other than as expressly described in this Prospectus. The Company may, however, (i) issue or sell shares or other securities to employees and members of executive bodies of the Company or its subsidiaries under employee or management participation plans, and (ii) exercise conversion or option rights under already issued convertible bonds or bonds with warrants, if any.

Moreover, with regard to all their shares not subject to the Greenshoe Option, PRIMEPULSE SE and grosso tec AG have each made an irrevocable commitment to the Joint Bookrunners not to issue, offer for sale, sell, announce a sale or undertake any other measures that have an economic effect comparable to a sale, directly or indirectly, in either over-the-counter or in regular trading, for a period of 12 months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on 4 May 2021) without the prior written approval of the Sole Global Coordinator.

Both members of the Management Board, Rainer Koppitz and Johannes Fues, have also made an irrevocable commitment to the Joint Bookrunners not to issue, offer for sale, sell, announce a sale or undertake any other measures that have an economic effect comparable to a sale, directly or indirectly, in either over-the-counter or in regular trading, for a period of 12 months following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on 4 May 2021) without the prior written approval of the Sole Global Coordinator.

3.8 Stock Market Admission

Admission of the Company's shares to trading to the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to occur on 3 May 2021, and trading is expected to commence on 4 May 2021 (the "**Listing**").

3.9 Transfer of Shares

According to the terms of the Underwriting Agreement, the Joint Bookrunners have agreed, under certain conditions, to offer the Offered Shares in its own name at the Offer Price in the course of the Offering and to place them at the best possible terms and conditions. In addition, the Joint Bookrunners are entitled under the terms of the Underwriting Agreement, but not obliged, to offer up to 514,962 Over-Allotment Shares granted to them within the framework of the over-allotment option if the over-allotment option is exercised ("**Over-Allotment**"). To cover the over-allotment, the Joint Bookrunners have been provided by PRIMEPULSE SE with up to 128,740 shares and by grosso tec AG with up to 386,222 shares from their shareholdings within the framework of a securities lending transaction. The number of shares earmarked for the Over-Allotment will not exceed 15% of the Offered Shares offered without the Over-Allotment Shares.

PRIMEPULSE SE and grosso tec AG has together granted the Joint Bookrunners the option to purchase up to 514,962 Over-Allotment Shares, at the Offer Price less the agreed commission and costs ("**Greenshoe Option**") in or order to fulfil the return delivery obligation arising from the securities lending transaction. The Greenshoe Option will expire no later than 30 days after the commencement of trading in the Company's shares and can only be exercised to the extent that the Greenshoe shares are placed. In the event that the Greenshoe Option is exercised, the total number of shares held by PRIMEPULSE SE and grosso tec AG will be reduced.

In the Underwriting Agreement, the Issuer has made a commitment to hold the Joint Bookrunners harmless from certain liability obligations. Moreover, under the terms of the Underwriting Agreement the obligations of the Joint Bookrunners are conditional upon certain events occurring, such as the correctness and completeness of all warranties assumed by the Issuer and the former shareholders, the receipt of the customary legal opinions and attestations in keeping with the requirements of the Joint Bookrunners and the receipt of a signed global share certificate representing the shares.

Under certain circumstances the Issuer is entitled to terminate the Offering prematurely or even after expiry of the Offer Period at any time before 2 p.m. CEST on the settlement date (prospectively 4 May 2021). Termination is possible when the Joint Bookrunners withdraw from the Underwriting Agreement, which it is entitled to do in certain circumstances. These circumstances include, but are not limited to: the occurrence of a “material adverse change” in the meaning of the Underwriting Agreement; this includes: (A) a material adverse change that has occurred since the relevant cut-off dates for the information contained in this Prospectus and elsewhere or can be foreseen and has possibly not been disclosed in this Prospectus; (B) a material change in the management of the Issuer; (C) the partial or full suspension of trading on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange, or on one of these three stock exchanges, or a general moratorium is imposed on commercial banking activities in Frankfurt am Main, London or New York, or not insignificant interruptions to securities settlements, payments or booking services in Europe; (D) an adverse change to the national, international financial, political, industrial, commercial or legal environment or an adverse change to the conditions on the capital markets or to exchange rates or an escalation in wars or terrorist activity.

If the Underwriting Agreement is terminated prior to the Capital Increase being entered in the commercial register, the obligation of the Issuer and the former shareholders to deliver the shares extinguishes once the application for registration with the commercial register is successfully revoked. Any amounts paid to settle the Offer Price will be reimbursed to investors.

Likewise, the Offering will not be executed if the Joint Bookrunners withdraw from the Underwriting Agreement subsequent to the Capital Increase being entered in the commercial register. Any amounts paid to settle the Offer Price will be reimbursed to investors. Should short sales have occurred prior to the Offered Shares being posted to the portfolio account of the respective buyer, the buyer bears the sole risk of not being able to settle the obligations entered into in the short sale by delivering the Offered Shares in good time.

3.10 Stabilisation measures, over-allotment and the Greenshoe Option

In connection with the placement of the Offered Shares and as permitted by Art. 5 (4) of the Market Abuse Regulation, the Sole Global Coordinator can, as stabilisation manager, exercise the over-allotment option or conduct transactions that are aimed at stabilizing the exchange or market price of the shares. The stabilisation manager is under no obligation to conduct stabilisation measures. For this reason, no assurance can be made that the stabilisation measures will be conducted. If stabilisation measures are conducted, they could be discontinued at any time without notice. In order to stabilise the initial exchange price, these measures may commence upon the inception of trading on the regulated market of the Frankfurt Stock Exchange (*Prime Standard*) and must be terminated within 30 calendar days of this date (“**Stabilisation Period**”). These measures may result in the market price of the Company’s shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. The stabilisation manager may conduct stabilisation measures on the Frankfurt Stock Exchange.

In connection with possible stabilisation measures, investors may, in addition to the New Shares, be allocated up to 514,962 Over-Allotment Shares as part of the Over-Allotment. The Issuer and the Joint Bookrunners entered into an Underwriting Agreement on 20 April 2021. Based on the terms of the Underwriting Agreement, the Joint Bookrunners are entitled to the Over-Allotment. To cover the Over-Allotment, the Joint Bookrunners have been provided with up to 128,740 shares from the holdings of PRIMEPULSE SE and up to 386,222 shares from the holdings of grosso tec AG within the framework of a securities lending transaction. The number of shares earmarked for the Over-Allotment will not exceed 15% of the Offered Shares excluding the Over-Allotment.

PRIMEPULSE SE and grosso tec AG has each granted the Joint Bookrunners the Greenshoe Option in order to fulfil the return delivery obligation arising from the securities lending transaction. The Greenshoe Option will expire no later than 30 days after the commencement of trading in the shares and can only be exercised to the extent to which the Greenshoe shares are placed. The number of shares earmarked for the Over-Allotment will not exceed 15% of the Offered Shares excluding the Over-Allotment.

Within one week of the expiry of the Stabilisation Period, a public announcement will be disseminated throughout the entire European Economic Area via various media (so-called Media Bundle) stating whether the Stabilisation Measures were conducted or not, and the dates on which first and last Stabilisation Measures were conducted as well as the price range within which the Stabilisation Measures were conducted (for each date on which Stabilisation Measures were conducted) and on which trading venues the Stabilisation Measures were conducted. Exercise of the respective Greenshoe Option, the data related to this and the shares concerned will also be published without delay in the manner described above.

3.11 Interests of Parties Participating in the Offering

Under the Underwriting Agreement, the Joint Bookrunners are acting for the Company in connection with the Offering and the coordination, structuring and execution of the Offering. Upon successful implementation of the Offering, the Sole Bookrunner will receive a commission.

Furthermore, in connection with the Offering, the Joint Bookrunners and any of its respective affiliates, may take up a portion of Offered Shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, the Joint Bookrunners or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Joint Bookrunners (or its affiliates) may from time to time acquire, hold or dispose of shares in the Company. Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Additionally, the Joint Bookrunners or its affiliates may from time to time in the future have business relations with members of KATEK (including lending activities) or may perform services for members of KATEK in the ordinary course of business.

Both members of the Management Board and two members of the Supervisory Board, Klaus Weinmann and Stefan Kober, are directly or indirectly invested in the Issuer. They may, separately from their positions in the respective governing body, have financial and economic interests in the success of the Offering at the best possible terms. The same applies to three employees who have been granted phantom stocks pursuant to the Company's phantom stock programme, which grants a cash-settled share-based payment when defined exit conditions, including the completion of the Offering, are fulfilled.

Other than the interests described above, there are no material interests, in particular no material conflicts of interests, with respect to the Offering.

3.12 Designated Sponsor

The Sole Global Coordinator has been retained as designated sponsor of the Company’s shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the designated sponsor agreement between the designated sponsor and the Company, the designated sponsor will, among other things, place limited buy and sell orders for the Company’s shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Company’s shares. The designated sponsor is entitled to delegate its duties under the designated sponsor’s agreement to third parties. In accordance with Sections 81 and 82 of the Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*), the designated sponsor’s agreement stipulates the duties and responsibilities of the designated sponsor. Among other things, the designated sponsor must be available during trading hours and, upon receipt of a request for a quote, promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor must provide quotes throughout the auction.

3.13 Subscription by existing shareholders, Management Board and Supervisory Board members or other persons of over 5%

The Company's existing shareholders, the members of the Management Board and the members of the Supervisory Board will not subscribe for any Offered Shares as part of the Offering. As of the date of the Prospectus, the Company is not aware that other persons wish to subscribe for more than 5% of the Offered Shares in the Offering.

4. INFORMATION ABOUT THE OFFERED SHARES

4.1 Form

All shares of the Company, including the Offered Shares, are ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*) each such share with a notional value of EUR 1.00.

4.2 Voting Rights

Each share of the Company, including each Offered Share carries one vote at the Company's general shareholders' meeting *(Hauptversammlung)*. There are no restrictions on voting rights, and no shareholders have different voting rights.

4.3 Dividend and Liquidation Rights

All shares of the Company, including the Offered Shares, carry full dividend rights as of 1 January 2021 and for all subsequent financial years. In the event of the Company's liquidation, any proceeds remaining after satisfaction of all liabilities of the Company will be distributed to the holders of the Company's shares, including the Offered Shares, in proportion to their interest in the Company's share capital.

4.4 Certification of the Offered Shares

The Offered Shares will be represented by a global share certificate (the "**Global Share Certificate**"), which will be deposited with Clearstream Banking Aktiengesellschaft ("**Clearstream**"), Mergenthalerallee 61, 65760 Eschborn, Germany, and admitted to collective custody.

Section 5 paragraph 3 of the Articles of Association excludes the right of the shareholders to receive share certificates.

The Offered Shares subscribed for in connection with the Offering are expected to be delivered on or about 4 May 2021 by way of book-entry by Clearstream to the depositary banks.

4.5 ISIN/WKN/Ticker symbol

International Securities Identification Number (ISIN)	DE000A2TSQH7
German Securities Code (Wertpapierkennnummer, WKN)	A2TSQH
Trading Symbol	KTEK

4.6 Paying Agent

The paying agent for the shares of the Company is Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany.

4.7 Transferability of the Shares

All shares of the Company, including the Offered Shares, are freely transferable in accordance with the legal requirements for bearer shares (*auf den Inhaber lautende Aktien*) and except for the restrictions set forth in Sections *"*3.7 *Lock-up Agreement" and "*3.5 *Selling Restrictions*" there are no prohibitions on disposals or restrictions with respect to the transferability of the Company's shares.

5. REASONS FOR THE OFFERING, PROCEEDS AND COSTS OF THE OFFERING AND USE OF PROCEEDS

The Company is initiating the Offering because it intends to accelerate the execution of its organic and inorganic growth strategy. The Company estimates that gross proceeds to the Company (assuming placement of all 3,433,080 New Shares at the mid-point of the Price Range) would amount to approximately EUR 80.68 million, and the net proceeds would amount to approximately EUR 76.29 million. The Company will not receive any proceeds from the potential sale of the Over-Allotment Shares from the holdings of PRIMEPULSE SE and grosso tec AG. The total costs of the Offering comprise commissions for the Joint Bookrunner in the amount of EUR 3.63 million in connection with the New Shares as well as other expenses in connection with all Offered Shares in the amount of approximately EUR 754 thousand (under the assumption that all Offered Shares are placed at the mid-point of the Price Range).

The Company intends to use its estimated net proceeds in the amount of up to EUR 76.29 million as follows, in decreasing order of priority:

- to continue executing the Company's growth strategy through both mergers and acquisitions, as well as organic growth initiatives – the Company intends to pursue selected mergers and acquisitions in order to drive the expansion of the business while driving organic growth initiatives in the existing companies, in particular investments in the further digitalisation of business processes, expansion of operating capacity, and enhancement of KATEK's regional footprint; the Company is in an ongoing process to identify and evaluate value-accretive target companies to execute its inorganic growth strategy; however, as of the date of the Prospectus, there are no concrete plans to use the issue proceeds for the acquisition of specific companies;

- to optimise the Company's capital structure – this may include, if necessary, the repayment of existing debt; and

- the remainder for general corporate purposes.

Although the Company intends to use the funds from the net proceeds from the issuance of the New Shares for the aforementioned purposes in the chronological sequence shown above, the actual sequence and proportion of the net proceeds that will be used for the individual measures will depend on a number of factors, which at present cannot be conclusively determined.

The Company believes that through the Listing it will increase its own visibility, enhance its external profile and improve its brand recognition. Further, the Company assumes that the Listing will improve its access to capital markets and diversify its shareholder base, all of which will allow it to grow as a business and support the further development of the Group.

In connection with the Over-Allotment, PRIMEPULSE SE and grosso tec AG intend to divest part of their respective shareholdings in the Company in order to ensure sufficient free float and trading liquidity in the Company's shares and to facilitate stabilisation measures. The estimated gross proceeds (assuming placement of all 514,962 Over-Allotment Shares at the mid-point of the Price Range) would amount to approximately EUR 12.10 million, and the net proceeds would amount to approximately EUR 11.56 million. PRIMEPULSE SE and grosso tec AG will not receive any proceeds from the sale of the New Shares. The total costs of the Offering of the Over-Allotment Shares comprise commissions for the Joint Bookrunners in the amount of EUR 545 thousand (under the assumption that all Over-Allotment Shares are placed and the Greenshoe Option is fully exercised).

6. DIVIDEND POLICY, RESULTS AND DIVIDENDS PER SHARE, USE OF PROFITS

6.1 General Provisions relating to Profit Allocation and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European stock corporation organised under German law, such as the Company, the distribution of dividends for any given financial year, and the amount and payment date thereof, are generally resolved by the general shareholders' meeting *(Hauptversammlung)* of the subsequent financial year. The general shareholders' meeting *(Hauptversammlung)* must be held within the first eight months of each financial year. Proposals for the distribution of dividends will be issued by the Management Board and the Supervisory Board jointly or by the Management Board and the Supervisory Board separately, with the general shareholders' meeting not bound by those proposals.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's annual financial statements prepared in accordance with the requirements of German GAAP. Accounting regulations under German GAAP may differ from the IFRS in material aspects.

When determining the distributable profit, net income or loss for the financial year (*Jahresüberschuss/-fehlbetrag*) must be adjusted for profit/loss carry-forwards (*Gewinn-/Verlustvorträge*) from the prior financial year and releases of or allocations to reserves. Certain reserves are required to be set up by law, and amounts mandatorily allocated to these reserves in the given financial year must be deducted when calculating the distributable profit. The Management Board must prepare annual financial statements (balance sheet, income statement and notes to the annual financial statements) and a management report for the previous financial year by the statutory deadline and present these to the auditors and the Supervisory Board immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's distributable profits pursuant to Section 170 paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*). According to Section 171 of the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board must review the annual financial statements, the Management Board's management report and the proposal for the allocation of the distributable profit and report to the general shareholders' meeting *(Hauptversammlung)* in writing on the results. The Supervisory Board must submit its report to the Management Board within one month after the documents were received. If the Supervisory Board approves the financial statements after its review, these are deemed adopted unless the Management Board and the Supervisory Board resolve to assign adoption of the financial statements to the general shareholders' meeting *(Hauptversammlung)*. If the Management Board and the Supervisory Board choose to allow the general shareholders' meeting *(Hauptversammlung)* to adopt the financial statements, or if the Supervisory Board does not approve the financial statements, the Management Board must convene a general shareholders' meeting *(Hauptversammlung)* without delay.

A resolution of the general shareholders' meeting *(Hauptversammlung)* on the allocation of the distributable profits requires a simple majority of the votes cast. Pursuant to Section 16 paragraph 4 of the Articles of Association, the general shareholders' meeting *(Hauptversammlung)* decides on the appropriation of the net profit for the year resulting from the finalised financial statements. It may allocate further amounts to retained earnings or carry such amounts forward as profit. In the event of an increase in the share capital, the profit participation may be determined in deviation from Section 60, paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*), e.g. new shares from a capital increase could be entitled to participate in the profits from the beginning of the financial year in which they come into existence. Otherwise, Section 60, paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*) states that contributions made in the course of the financial year shall be taken into account pro-rated by the time that has lapsed since they were made.

The Management Board is authorised, with the consent of the Supervisory Board, to make advance payments on the balance sheet profit in accordance with Section 59 of the German Stock Corporation Act (*Aktiengesetz*). Pursuant to Section 16 paragraph 5 of the Articles of Association the general shareholders' meeting may resolve a distribution in kind instead of or in addition to a cash distribution.

6.2 Dividend Policy and Dividend per Share

The Company intends to invest all available funds and future earnings to support operations and to finance the growth and development of the business and market position of the Group as well as the implementation of its strategic goals. The Company has not paid any dividends to date and no statement can currently be made as to its future distributable profits. In the event that the general shareholders' meeting of the Company resolves to carry forward profits or to allocate profits to the reserves, the Company's shareholders are entitled, pursuant to the German Stock Corporation Act (*Aktiengesetz*), to challenge the resolution of the general shareholders' meeting of the Company if such carry-forward or allocation is not deemed necessary to ensure the viability or economic resilience of the Company and the shareholders do not receive a minimum dividend in an amount equal to four percent of the Company's share capital.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company’s results of operations, financial condition, contractual restrictions and capital requirements.

7. CAPITALISATION AND INDEBTEDNESS, STATEMENT ON WORKING CAPITAL AND SIGNIFICANT CHANGES

The following tables set forth KATEK's actual capitalisation and indebtedness as of 28 February 2021 based on the unaudited financial data derived from the Company´s accounting records.

Investors should read these tables in conjunction with the Audited Consolidated Financial Statements, which are included in this Prospectus beginning on page F-2, and the discussion and analysis of some financial information taken or derived from the Audited Consolidated Financial Statements (see Section "9 *Management's Discussion and Analysis of Financial Condition and Results of Operations"*).

7.1 Capitalisation

EUR in thousands	**As of 28 February 2021** *(unaudited)*
Total current debt (including current portion of non-current debt)(1)	**156,378**
Thereof guaranteed	0
Thereof secured	5,789
Thereof unguaranteed/ unsecured	150,590
Total non-current debt (excluding current portion of non-current debt)(2)	**74,968**
Thereof guaranteed	10,000
Thereof secured	39,200
Thereof unguaranteed/ unsecured	25,768
Shareholders' equity(3)	**65,738**
Share capital(4)	-
Legal reserve(s) (4)	-
Other reserves(4)	-
Total(5)	**297,084**

(1) Total current debt corresponds to total current liabilities as presented in the Company's consolidated balance sheet. There was no guaranteed debt and secured debt refers to debt secured by assets as agreed on a case-by-case basis.

(2) Total non-current debt corresponds to total non-current liabilities as presented in the Company's consolidated balance sheet. Guaranteed debt refers to a EUR 10 million fixed-amount guarantee granted by PRIMEPULSE SE and secured debt refers to debt secured by assets as agreed on a case-by-case basis.

(3) 'Shareholders' equity' corresponds to total equity as presented in the Company's consolidated balance sheet.

(4) 'Shareholders‘ equity' refers to the total equity as presented in the financial statements and is not subcategorised. Prior to the Offering, but only after 28 February 2021, the Company's shareholders authorised a conversion of legal reserves to share capital.

(5) 'Total' corresponds to the sum of 'Total current debt', 'Total non-current debt' and 'Shareholders' equity'.

7.2 Indebtedness

EUR in thousands	As of 28 February 2021 (*unaudited*)
A. Cash[(1)]	31,775
B. Cash equivalents[(1)]	-
C. Other current financial assets[(2)]	10,175
D. Liquidity (A) + (B) + (C)	**41,950**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[(3)]	71,500
F. Current portion of non-current financial debt[(4)]	0
G. Current Financial Indebtedness (E) + (F)	**71,500**
H. Net Current Financial Indebtedness (G) - (D)	**29,550**
I. Non-current financial debt (excluding current portion and debt instruments)[(5)]	71,170
J. Debt instruments	0
K. Non-current trade and other payables	0
L. Non-current Financial Indebtedness (I) + (J) + (K)	**71,170**
M. Total Financial Indebtedness (H) + (L)	**100,720**

(1) 'A. Cash' represents cash on hand and cash at banks recorded under cash and cash equivalents as shown in the consolidated balance sheet and includes 'B. Cash equivalents'.

(2) Represents receivables from factoring and sundry other financial assets recorded under current other financial assets as shown in the consolidated balance sheet.

(3) Includes current liabilities to banks recorded under current loans in the amount of EUR 49,804 thousand, current portion of payables for financial derivatives and sundry other financial liabilities in the amount of EUR 4,470 thousand, and lease liabilities in the amount of EUR 5,366 thousand, thereof EUR 3,125 thousand related to IFRS 16 rental agreements (right-of-use), recorded under current other financial liabilities and an inter-company loan with PRIMEPULSE SE in the amount of EUR 11,860 thousand recorded under intercompany short-term financial liabilities as shown in the consolidated balance sheet.

(4) Current portion of non-current financial debt is included in current financial debt.

(5) Includes non-current liabilities to banks recorded under non-current loans in the amount of EUR 39,416 thousand and payables for financial derivatives and sundry other non-current financial liabilities in the amount of EUR 7,212 thousand, and lease liabilities in the amount of EUR 24,542 thousand, thereof EUR 18,385 related to IFRS 16 rental agreements (right-of-use) recorded under non-current other financial liabilities.

Lease Liabilities

As shown in the table above, KATEK's financial debt as of 28 February 2021 included lease liabilities amounting to EUR 29,908 thousand, thereof current lease liabilities in the amount of EUR 5,366 thousand (of which EUR 3,125 thousand related to IFRS 16 rental agreements (right-of-use)) and non-current lease liabilities in the amount of EUR 24,542 thousand (of which EUR 18,385 related to IFRS 16 rental agreements (right-of-use)), recorded respectively under current other financial liabilities and non-current other financial liabilities.

Indirect and Contingent Indebtedness

KATEK's indirect and contingent indebtedness as of 28 February 2021 amounted to EUR 12,321 thousand. These indirect and contingent obligations relate to

- provisions for pensions and similar obligations in the amount of EUR 2,008 thousand as shown in the consolidated balance sheet;

- other provisions in the amount of EUR 9,733 thousand, which mainly relate to warranties and guarantees, sundry other provisions and restructuring provisions, as shown in the consolidated balance sheet; and

- other long-term liabilities in the amount of EUR 580 thousand related to jubilee benefits as shown in the consolidated balance sheet.

As of 31 December 2020, KATEK also had EUR 1,529 thousand contingent liabilities and other financial obligations, not recognised under the practical expedient afforded by IFRS 16 due to the contracts' maturity (less than a year) and for that reason not included in the financial statements.

7.3 Statement on Working Capital

In the Company's opinion, its working capital, excluding the proceeds from the Offering, is sufficient to meet KATEK's present requirements over at least the next 12 months following the date of this Prospectus.

7.4 Statement regarding Significant Changes

The overall development in the first three months of 2021 reflects consistent revenue and Adjusted EBIT, Adjusted EBITDA and Adjusted EBITA growth, in line with management's expectations.

In accordance with this growth, there were also the following significant changes in the Company's liabilities as of 28 February 2021 in comparison to the Audited Consolidated Financial Statements for the year ended 31 December 2020:

- increase of trade payables by EUR 14,387 thousand, mainly relating to the acquisition of assets (including obligations) from Leesys (EUR 10,893 thousand) and effects in connection with the operational business;
- increase of current other liabilities and deferred income by EUR 1,693 thousand, mainly as a result of increased liabilities for bonuses and management incentives (EUR 1,066 thousand) and higher liabilities for vacation and flexitime credits; and
- decrease of cash and cash equivalents by EUR 3,678 thousand, mainly relating to the payment of the purchase price of EUR 5,600 thousand in connection with the acquisition of assets (including obligations) from Leesys.

Due to growing market demands, the Company expects consistently to grow in line with its business plan.

Effective 28 January 2021, KATEK Singapore Pte. Ltd. was founded as a subsidiary of the Company's subsidiary, beflex electronic GmbH.

Effective 1 February 2021, the Company acquired assets related to the Leesys electronics site in Leipzig, Germany as described in Section "11.12.1 Transaction Contracts."

Effective 11 February 2021, BEFLEX ELECTRONIC MALAYSIA SDN. BHD, headquartered in Kuala Lumpur, Malaysia, was founded as a subsidiary of the Company's subsidiary, beflex electronic GmbH.

On 20 April 2021, the Capital Increase was approved by resolution of the extraordinary shareholders' meeting of the Company.

Other than as described above, no significant change in the financial and trading position of the Company and its subsidiaries has occurred.

For information on current trading and management's view on future trends, see Section "20 *Recent Developments and Outlook*".

8. DILUTION

Assuming that all 3,433,080 New Shares are placed, each shareholder who does not participate in the Offering will have his or her shareholding diluted by approximately 25.9%.

As of 31 December 2020, the IFRS net book value (corresponding to the total assets less total non-current liabilities, and total current liabilities of the Company) derived from the Company's Audited Consolidated Financial Statements as of 31 December 2020 amounted to EUR 65.09 million, which resulted in an IFRS net book value per share of EUR 6.64 (rounded and based on 9,808,800 outstanding shares of the Company). On this basis, assuming that the Company already received the net proceeds from the Offering in the amount of EUR 76.29 million (assuming placement of all 3,433,080 New Shares at an Offer Price of EUR 23.50, which represents the mid-point of the Price Range, and after deduction of the estimated expenses of the Offering in an amount of EUR 4.38 million) by 31 December 2020, the IFRS net book value of the Company as of 31 December 2020 would amount to EUR 141.38 million, which corresponds to a net book value of EUR 10.68 per share (calculated as adjusted by the effects of the Offering assuming that 13,241,880 shares of the Company will be outstanding after completion of the Offering pursuant to which 3,433,080 New Shares would be issued). For the existing shareholders of the Company, this means an increase in IFRS net book value of EUR 4.04, or 60.8% per share. For investors who did not previously hold equity in the Company and who acquire New Shares at an Offer Price of EUR 23.50, this entails a theoretical loss of EUR 12.82 or 54.6% per share since the IFRS net book value per share of the Company is below the Offer Price per share by this amount or percentage.

9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following section has been taken or derived from the Audited Consolidated Financial Statements, which were prepared in accordance with IFRS, the Audited Annual Financial Statements, which were prepared in accordance with German GAAP, or the Company's internal reporting system.

Ebner Stolz has audited and issued an independent auditor's report with respect to the Audited Consolidated Financial Statements and the Audited Annual Financial Statements. The Audited Consolidated Financial Statements and the independent auditor's reports thereon are included in Section "18 *Financial Information*".

Where financial information in the following tables is labelled "audited", this means that it has been taken from the Audited Consolidated Financial Statements Audited Annual Financial Statements. The label "unaudited" is used in the following tables to indicate financial information that has not been taken from the Audited Consolidated Financial Statements or the Audited Annual Financial Statements but was taken or derived from the Company's internal reporting system, or has been calculated based on financial information from the abovementioned sources. In the discussion and analysis below, all references to year-on-year differences between audited figures, expressed as absolute figures or as percentages, are unaudited.

The discussion and analysis below provide information that the Company believes is relevant to an assessment and understanding of its historical financial position and results of operations. Prospective investors should read this discussion and analysis in conjunction with the Audited Consolidated Financial Statements, the Audited Annual Financial Statements and the Sections entitled "2.6 *Presentation of Financial Information*", and "20 *Recent Developments and Outlook*". KATEK SE's historical results are not necessarily indicative of the results that should be expected in the future, and its interim results are not necessarily indicative of the results that should be expected for the year ending 31 December 2021 or any other future period.

This section includes forward looking statements, including those concerning capital expenditures and financial condition. Such forward looking statements are subject to risks, uncertainties and other factors that could cause KATEK SE's actual results to differ materially from those expressed or implied by such forward looking statements. Investors can find a discussion of such uncertainties elsewhere in this Prospectus, including in Sections "1 *Risk Factors*" and "2.3 *Forward-looking Statements*". The Company does not undertake any obligation to revise or publicly release the results of any revision to these forward-looking statements.

The following discussion of KATEK SE's results of operations also makes reference to certain alternative performance measures (***APMs***). Prospective investors should bear in mind that these APMs are not financial measures defined in accordance with IFRS, German GAAP or other generally accepted accounting principles, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of KATEK SE's operating results as reported under IFRS, German GAAP or other generally accepted accounting principles. See Section "2.6.2 *Alternative Performance Measures*".

9.1 Overview

As described in greater detail in Section "11.1 *Overview*", KATEK is a leading European electronics company, active in the market for electronics / electronic services market. Measured by market share it currently ranks as number two in Germany and is the fastest-growing European company in this sector.

9.2 Significant Factors Affecting the Results of Operations

The Company believes that the development of KATEK SE's business, net assets, financial condition, cash flow, and results of operations during the periods covered by this Prospectus has been and in the foreseeable future will likely be primarily affected by the following factors.

9.2.1 General Economic Conditions, Political and Social Environment Developments

KATEK is active in the market for electronic components. The Group serves customers from various industries. The volume of demand is among other factors driven by the overall economic situation. While KATEK is dependent on the development of demand for its customers' products, the distribution of business across various industries can have a levelling effect.

To serve its customers, KATEK is operating in complex global supply chains, which have been susceptible to the effects of the global COVID-19 pandemic, as described in more detail in Section "1.1.6 *Changes in the general economic environment in which KATEK operates may have a negative impact on its business*."

9.2.2 Reliance on Key Clients

The Group generated approximately 36% of its revenue from its top three clients in the financial year 2020. The Company believes it has strong relationships with these clients and that those relationships will continue. Nevertheless, any change in these relationships, the strength of their businesses or their general demand for KATEK's products could materially affect its results. Moreover, KATEK has entered into agreements with certain of these key clients through contracts and other agreements, which generally offer the Company access to development projects and involvement in development of new products, which could impact its revenues and costs.

9.2.3 Technology

To establish its technological edge, the Company is constantly forced to invest in the further improvement of its existing products and the development of new products, which has an impact on the Company's costs. If KATEK's technology is not adopted by its clients, or if the relevant technology, production processes or equipment do not meet industry requirements, its products will not gain or maintain market acceptance, which would be detrimental to its revenue.

9.2.4 Cost of Purchased Material and Services

Cost of purchased material and services accounts for the largest share of the Company's costs (financial year 2020: 70.9%; financial year 2019: 71.4%; and financial year 2018: 69.9%). Consequently, it is an important factor in determining the company’s results. Cost of purchased material and services depend on numerous factors, including the ability to negotiate favourable terms and conditions with global suppliers, the overall product mix sold, and the Company's ability to manage the level of inventory.

The company actively manages the relationships to global suppliers, making use of frame contracts reflecting full group demand and use scale effects.

The Company actively manages its inventory with the aim to control the costs of goods sold, inventory risk and capital commitment.

The Company believes its effectiveness in managing cost of purchased materials and services is an important factor in determining the result of operations.

9.2.5 Personnel Expenses

Personnel expenses account for a significant share of the Company's costs (financial year 2020: 20.6%; financial year 2019: 21.0%; and financial year 2018: 20.7%).

The Company believes its future performance depends in large part on its ability to attract and keep highly skilled technical, managerial and marketing personnel, and therefore the Company is committed to paying competitive salaries in order to attract the talent necessary to sustain and grow its business. The costs associated with doing so could impact its performance and results of operations going forward.

The Company cannot ensure that efforts to retain and motivate management and key employees or attract and retain other highly qualified personnel in the future will be successful. The competition for attracting and retaining these employees is intense and is likely to intensify further. This might require increases in compensation for current employees over time, in order to retain these employees.

9.2.6 Acquisitions

The Company has made a number of acquisitions in the periods covered by this Prospectus, as described in more detail in Section "11.12.1 *Transaction Contracts*" and the Audited Consolidated Financial Statements which have had an impact on KATEK's results of operations. In the future, the Company will likely acquire additional enterprises and may be required to take restructuring measures, which may succeed and have a positive impact on its results of operations. Such corporate events, could, however, also have a significant extraordinary cost effect, if their implementation results in substantial expenses and cash outflows higher than planned, if their implementation takes longer than originally expected or if their implementation ultimately fails.

9.2.7 Net Working Capital Management

The development of the Company's net working capital is a key factor for its cash flows from operating activities. The Company defines net working capital as the sum of inventories and trade receivables and receivables from factoring less trade payables and less payments received on account of orders.

The following table shows the composition and reconciliation to IFRS measures of net working capital as of 31 December 2020, 2019 and 2018:

	As of December		
	2020	**2019**	**2018**
	(audited, unless otherwise indicated)		
	(EUR in thousands)		
Inventories	106,961	101,463	58,919
+ Trade receivables	23,346	16,863	12,341
+ Receivables from factoring	5,078	2,625	0
- Trade payables	43,421	22,554	14,370
- Payments received on account of orders	3,258	1,945	553
Net Working Capital (unaudited)	88,706	96,452	56,337

On an ongoing basis, the Company takes steps to reduce its working capital, although developments outside the Group's control may prevent it from realizing this goal in a given period. The Group actively manages its net working capital and aims to keep it efficient, in particular by actively managing its inventories.

The decrease in net working capital in 2020 was in particular due to effects from working capital management, especially related to optimisation from inventories turnover and purchase synergies achieved through negotiated group conditions with the main suppliers while the increase in 2019 compared to 2018 was in particular due to the acquisition of new businesses.

9.3 Factors Affecting Comparability of Results of Operations and Financial Condition

9.3.1 Seasonality

The Group's operations are generally not subject to any seasonal fluctuations.

9.3.2 New Accounting Pronouncements in 2019 – IFRS 16

The Company applied IFRS 16 "Leases" beginning 1 January 2019. The Group chose the option to follow the modified retrospective method. Figures related to prior financial periods that are included in the Company's financial statements were prepared using predecessor standards, including IAS 17 “Leases”, and have not been adjusted. As a result, the financial statements are not fully comparable across the periods presented in this Prospectus. The significant impact of IFRS 16 for lessees is the elimination of the classification according to IAS 17 of lease contracts as operating leases and finance leases. As a result, leases that were not recognised in the consolidated balance sheet according to IAS 17, are now recognised as right-of-use assets and corresponding lease liability on the consolidated balance sheet. Most leases treated as operating leases under IAS 17, including real estate leases, are required to be recognised on the consolidated balance sheet following implementation of IFRS 16. As a result, EUR 18,812 thousand were recognised as lease liabilities as of 31 December 2019 compared to EUR 1,993 thousand as of 31 December 2018. For more detailed information, please see Notes A.2, A.4.7 and B.2 to the audited consolidated financial statements for the year ended 31 December 2019.

9.4 Key Accounting and Valuation Principles Involving Estimates or Judgments

Key accounting and valuation principles applied in the preparation of the Audited Consolidated Financial Statements are disclosed in the notes to the respective financial statements. For a detailed discussion of these principles, please see Notes A.2 and A.4 to the Audited Consolidated Financial Statements.

The preparation of KATEK SE's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. These matters are described in greater detail in Notes A.4.18 to the audited consolidated financial statements for the year ended 31 December 2020 and A.4.17 to the audited consolidated financial statements for the year ended 31 December 2019. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

9.5 Results of Operations – Consolidated Statement of Income

The table below sets forth selected information from the consolidated statement of income for the financial years ended 31 December 2020, 2019 and 2018.

	Financial year ended 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Revenue	**414,201**	**261,002**	**164,057**
Increase / (decrease) in inventories of finished goods and work in progress	(2,616)	578	(22)
Other own work capitalised	2,285	118	83
Total output	**413,871**	**261,698**	**164,118**
Cost of purchased material and services	(290,464)	(184,772)	(110,886)
Other operating income	8,691	6,167	21,375
Personnel expenses	(84,514)	(54,422)	(32,815)
Other operating expenses	(34,686)	(19,656)	(14,827)
EBITDA	**12,898**	**9,015**	**26,966**
Depreciation, amortisation and impairments	(14,193)	(11,001)	(5,543)
EBIT	**(1,295)**	**(1,986)**	**21,423**
Financial income	148	59	52
Financial expenses	(3,498)	(2,857)	(863)
Exchange rate differences	88	0	0
EBT	**(4,556)**	**(4,784)**	**20,612**
Tax result	6,148	2,594	743
Consolidated net profit / (loss)	**1,591**	**(2,191)**	**21,355**

9.5.1 Key Components of the Results of Operations

Sales

KATEK SE generates revenue from the sale of bespoke electronic equipment developed and manufactured for customers operating in all industries, particularly automotive, communications, consumer, industrial, energy/solar and health technology. The following chart shows a geographical breakdown of sales revenue for the financial periods indicated:

	Financial year ended 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Germany	297,500	170,602	95,842
Europe	97,646	79,661	57,906
Rest of the world	19,055	10,738	10,309
Revenue	**414,201**	**261,002**	**164,057**

Increase / (decrease) in inventories of finished goods and work in progress

Increase / (decrease) in inventories of finished goods and work in progress reflects the difference between inventory at the end of the preceding period and inventory at the end of the current period.

Other own work capitalised

Other own work capitalised mainly concerns the capitalisation of development costs of internally developed products.

Cost of purchased material and services

Cost of purchased material and services includes expenses related to raw, auxiliary and operating materials, and services purchased.

Other operating income

Other income mainly includes income from the reversal of provisions for which there are no corresponding expenses shown under other operating expense, acquisition effects from bargain purchases, income from currency translation and out-of-period income.

Personnel expenses

Personnel expenses comprise wages and salaries, and social security contributions and benefits.

Other expenses

Other expenses primarily include operational expenses, research and development costs, general, sales and administrative expenses, legal, consulting and audit expenses, currency translation expenses, leases and other miscellaneous expenses.

Financial income and financial expenses

Financial income is made up of interest and similar income.

9.5.2 Financial Year Ended 31 December 2020 Compared to the Financial Year Ended 31 December 2019

Revenue

KATEK SE’s revenue increased by EUR 153,199 thousand, or 58.70%, from EUR 261,002 thousand in the year ended 31 December 2019 to EUR 414,201 thousand in the year ended 31 December 2020. The increase was a result of organic growth through new projects with both existing and new customers, start of operating business in KATEK Düsseldorf GmbH (asset deal, business operating from middle March 2020 onwards) as well as inorganic growth related to the full year effect from the acquisition of KATEK Frickenhausen (consolidated from November 2019 onwards) and KATEK Mauerstetten (consolidated from February 2019 onwards) in the Group.

Decrease in inventories of finished goods and work in progress

Inventories of finished goods and work in progress decreased significantly by EUR 3,194 thousand, from EUR 578 thousand in the year ended 31 December 2019 to EUR (2,616) thousand in the year ended 31 December 2020. This decrease was primarily a result of optimisation of inventory.

Other own work capitalised

Other own work capitalised increased by EUR 2,167 thousand, from EUR 118 thousand in the year ended 31 December 2019 to EUR 2,285 thousand in the year ended 31 December 2020. This increase was primarily a result of the own production of technological plants and machinery, especially related to expansion investments of KATEK Czech Republic s.r.o.

Cost of purchased material and services

Cost of purchased material and services increased by EUR 105,692 thousand, or 57.20%, from EUR 184,772 thousand for the year ended 31 December 2019 to EUR 290,464 thousand for the year ended 31 December 2020. This increase was mainly related to a significant growth of sales in connection with the acquisition and full year effect of acquisitions mentioned above as well as organic growth.

Other operating income

Other operating income increased significantly by EUR 2,524 thousand, from EUR 6,167 thousand for the year ended 31 December 2019 to EUR 8,691 thousand for the year ended 31 December 2020. The increase was mainly due to KATEK Frickenhausen property sale.

Personnel expenses

Personnel expenses increased by EUR 30,092 thousand, or 55.29%, from EUR 54,422 thousand for the year ended 31 December 2019 to EUR 84,514 thousand for the year ended 31 December 2020. This increase was primarily a result of a headcount expansion, mainly related to growth of the business and the newly acquired companies.

Other operating expenses

Other operating expenses increased by EUR 15,030 thousand, or 76.47%, from EUR 19,656 thousand for the year ended 31 December 2019 compared to EUR 34,686 thousand for the year ended 31 December 2020. This increase was primarily related to an increase on other non-operating expenses in connection with a provision for potential restructuring costs, followed by higher general administrative and operational expenses and, operational expenses in connection with organic and inorganic business growth.

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments increased by EUR 3,192 thousand, or 29.02%, from EUR 11,001 thousand for the year ended 31 December 2019 to EUR 14,193 thousand for the year ended

31 December 2020. The increase was the result of increased depreciation of tangible assets, in connection to the acquired companies as well as expansion investments done during 2020. This increase was partly offset by a decrease of amortisation, especially related to purchase price allocation in previous years, where some assets have been completely amortized during 2019, reducing the amortisation amount in 2020.

Financial result

Financial result decreased by EUR 463 thousand, or 16.55%, from EUR (2,798) thousand for the year ended 31 December 2019 to EUR (3,261) thousand for the year ended 31 December 2020. This decrease was mainly related to higher interest-bearing financial liabilities with banks and interest expenses from leases, in accordance with IFRS 16, offset in part by reduction of intercompany interest due to a decrease of an intercompany loan with PRIMEPULSE SE.

Tax result

Tax result increased significantly by EUR 3,554 thousand, from EUR 2,594 thousand for the year ended 31 December 2019 to EUR 6,148 thousand for the year ended 31 December 2020, due to increased deferred tax assets relating to tax losses carried forward in connection with not yet recognized losses in subsidiaries from prior KATEK acquisition periods, tax structuring (in particular establishment of income tax groups) and change in legislation of foreign subsidiaries regarding limitation periods.

9.5.3 Financial Year Ended 31 December 2019 Compared to the Financial Year Ended 31 December 2018

Revenue

KATEK SE's revenue increased by EUR 96,945 thousand, or 59.09%, from EUR 164,057 thousand in the financial year ended 31 December 2018 to EUR 261,002 thousand in the financial year ended 31 December 2019. The increase resulted partly from organic growth, especially related to KATEK Memmingen operations (20.3% top-line growth), full year effect from KATEK Grassau in the Group (consolidated from June 2018 onwards) and, acquisition of KATEK Mauerstetten GmbH (previously ETL Elektrotechnik Lauter GmbH; consolidated from February 2019 onwards) and KATEK Frickenhausen/eSystems business (previously bebro group; consolidated from November 2019 onwards).

Decrease in inventories of finished goods and work in progress

There was a decrease in inventories of finished goods and work in progress in the amount of EUR 22 thousand in the financial year ended 31 December 2018 compared to an increase in the amount of EUR 578 thousand in the financial year ended 31 December 2019. This represents a change of EUR 600 thousand, which was primarily due to increase in stocks of finished and unfinished goods, which could not be invoiced in the same calendar year.

Other own work capitalised

Other own work capitalised increased by EUR 35 thousand, or 42.17%, from EUR 83 thousand in the financial year ended 31 December 2018 to EUR 118 thousand in the financial year ended 31 December 2019. This increase was primarily due to higher capitalisation of products developed in-house, especially related to the business of KATEK Grassau.

Cost of purchased material and services

Cost of purchased material and services increased by EUR 73,886 thousand, or 66.63%, from EUR 110,886 thousand for the financial year ended 31 December 2018 to EUR 184,772 thousand for the financial year ended 31 December 2019. This increase was mainly due to a significant growth of sales in connection with the acquisition mentioned above.

Other operating income

Other operating income decreased by EUR 15,208 thousand, or 71.15%, from EUR 21,375 thousand for the financial year ended 31 December 2018 to EUR 6,167 thousand for the financial year ended 31 December 2019. This decrease was primarily effected by significant bargain purchase effects from acquisitions, amounting EUR 20,275 thousand in 2018 in connection with the acquisition of KATEK Grassau and EUR 1,344 thousand in 2019 related to the acquisition of bebro/eSystems.

Personnel expenses

Personnel expenses increased by EUR 21,607 thousand, or 65.84%, from EUR 32,815 thousand for the financial year ended 31 December 2018 to EUR 54,422 thousand for the financial year ended 31 December 2019. This increase is driven by the increase in headcount, mainly related to growth of the business and the newly acquired companies.

Other operating expenses

Other operating expenses increased by EUR 4,829 thousand, or 32.57%, from EUR 14,827 thousand for the financial year ended 31 December 2018 to EUR 19,656 thousand for the financial year ended 31 December 2019. This increase was primarily the result of higher general administrative costs and operational expenses in connection with organic business growth and new acquired subsidiaries.

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments increased by EUR 5,458 thousand, or 98.47%, from EUR 5,543 thousand for the financial year ended 31 December 2018 to EUR 11,001 thousand for the financial year ended 31 December 2019, primarily related to increased depreciation of tangible assets, partly in connection to the acquired companies and partly related to implementation and of first-time application of IFRS 16.

Financial result

Financial result decreased by EUR 1,986 thousand, from EUR (812) thousand for the financial year ended 31 December 2018 to EUR (2,798) thousand for the financial year ended 31 December 2019. This decrease was driven by an increase in debt related to acquisition financing.

Tax result

Tax result increased significantly, by EUR 1,851 thousand, from EUR 743 thousand for the financial year ended 31 December 2018 to EUR 2,594 thousand for the financial year ended 31 December 2019, primarily related to increase of deferred taxes and consolidation effects related to tax-free bargain purchase effect.

The Company's effective tax rate for the financial year ended 31 December 2019 amounted to 54.21% compared to (3.61%) for the financial year ended 31 December 2018.

9.6 Alternative Performance Measures

In addition to its IFRS reporting, the Company uses a key performance indicator system as key business metrics to measure its performance, identify trends and make strategic decisions. While some of these metrics such as revenue are key measures derived from IFRS accounts, others such as Adjusted EBITDA, EBITA, Adjusted EBITA, Adjusted EBIT, Adjusted EBITDA Margin and Net Working Capital are alternative performance measures (APMs) that are not required by, or presented in accordance with, IFRS, German GAAP or any other generally accepted accounting principles.

The following chart shows the reconciliation of each of these measures other than Net Working Capital to the most directly comparable IFRS figures included in the Audited Consolidated Financial Statements. A reconciliation of Net Working Capital is included in Section "9.2.7 *Net Working Capital Management*".

	Financial year ended 31 December		
	2020	2019	2018
	(EUR in thousands)		
EBITDA (audited)	12,898	9,015	26,966
(+/-) adjustments [1)]	7,908	1,435	(19,954)
1) Adjusted EBITDA (unaudited)	**20,806**	**10,449**	**7,012**
2) Adjusted EBITDA-Margin (unaudited)	**5.03%**	**3.99%**	**4.27%**
EBITA(unaudited)	0,872	1,395	23,862
(+/-) adjustments	7,908	1,435	(19,954)
3) Adjusted EBITA (unaudited)	**8,780**	**2,829**	**3,908**
EBIT (audited)	(1,295)	(1,986)	21,423
(+/-) adjustments	7,908	1,435	(19,954)
4) Adjusted EBIT (unaudited)	**6,613**	**(0,552)**	**1,469**
EBIT (audited)	(1,295)	(1,986)	21,423
(+) amortisation	2,167	3,381	2,439
5) EBITA(unaudited)	**0,872**	**1,395**	**23,862**

1) These adjustments, as listed in section 2.6.2., comprise one-off effects, such as in 2020, restructuring costs and costs and provisions related to the Offering, in 2019, M&A and other one-off costs, and in 2018, bargain purchase effects in connection with the acquisition of KATEK Grassau.

For further information about why the Company uses these alternative performance measures, please see Section “2.6.2 *Alternative Performance Measures*".

9.7 Financial Position – Consolidated Balance Sheet

The following table shows selected information from KATEK SE’s consolidated balance sheet as of 31 December 2020, 31 December 2019 and 31 December 2018:

	As of 31 December		
	2020	2019	2018
	(audited, EUR in thousands)		
Total non-current assets	95,122	70,565	25,955
Total current assets	175,399	136,183	79,874
Total assets	**270,521**	**206,747**	**105,829**
Total equity	**65,093**	**19,514**	**21,775**
Total non-current liabilities	74,576	112,138	44,653
Total current liabilities	130,852	75,095	39,401
Total equity and liabilities	**270,521**	**206,747**	**105,829**

9.7.1 31 December 2020 Compared to 31 December 2019

Total non-current assets

KATEK SE’s total non-current assets increased by EUR 24,557 thousand, or 34.80%, from EUR 70,565 thousand as of 31 December 2019 to EUR 95,122 thousand as of 31 December 2020. The increase was primarily driven by capitalisation of contracts (right-of-use assets, IFRS 16) due to extension and new rental agreements as well as investments in technical equipment and machines mainly related to production expansion in KATEK Czech Republic and KATEK Mauerstetten.

Total current assets

KATEK SE’s total current assets increased by EUR 39.216, thousand**,** or 28.80%, from EUR 136,183 thousand as of 31 December 2019 to EUR 175,399 thousand as of 31 December 2020. The increase was primarily driven by increased group’s liquidity (cash and cash equivalents) and to a lesser extent by working capital increase due to acquisitions and business growth.

Total equity

KATEK SE's total equity increased significantly by EUR 45,579 thousand**,** from EUR 19,514 thousand as of 31 December 2019 to EUR 65,093 thousand as of 31 December 2020. The increase was primarily driven by a capital increase against contributions in kind effective as of 29 October 2020 made by the current main shareholders.

Total non-current liabilities

KATEK SE's total non-current liabilities decreased by EUR 37,562 thousand, or 33.50%, from EUR 112,138 thousand as of 31 December 2019 to EUR 74,576 thousand as of 31 December 2020. The decrease was primarily the result of decreased intercompany loans with PRIMEPULSE SE and grosso tec AG, offset to a lesser extent by the increased liabilities to banks and leasing agreements.

Total current liabilities

KATEK SE's total current liabilities increased by EUR 55,757 thousand**,** or 74.25%, from EUR 75,095 thousand as of 31 December 2019 to EUR 130,852 thousand as of 31 December 2020. The increase was primarily due to increases in trade payables related to better payment terms achieved after main suppliers' negotiations, short term bank loans and other financial liabilities connected to a short-term intercompany loan with PRIMEPULSE SE.

9.7.2 31 December 2019 Compared to 31 December 2018

Total non-current assets

KATEK SE's total non-current assets increased significantly, by EUR 44,610 thousand, or 171.87%, from EUR 25,955 thousand as of 31 December 2018 to EUR 70,565 thousand as of 31 December 2019. The increase was driven by an increase of tangible assets resulting from the consolidation of acquired companies (KATEK Mauerstetten, KATEK Frickenhausen and eSystems). In addition, in 2019 IFRS 16 was applied for the first time with capitalisation of contracts as a consequence (right-of-use assets).

Total current assets

KATEK SE's total current assets increased by EUR 56,309 thousand, or 70.50%, from EUR 79,874 thousand as of 31 December 2018 to EUR 136,183 thousand as of 31 December 2019. This increase was primarily driven by an increase in working capital related to the consolidation of the acquired companies (inventory and trade receivables) and to a lesser extent, an increase in cash and cash equivalents.

Total equity

KATEK SE's total equity decreased by EUR 2,261 thousand, or 10.38%, from EUR 21,775 thousand as of 31 December 2018 to EUR 19,514 thousand as of 31 December 2019, as a result of reduced retained earnings in connection with the acquisition and integration of new businesses.

Total non-current liabilities

KATEK SE's total non-current liabilities increased by EUR 67,485 thousand, or 151.13%, from EUR 44,653 thousand as of 31 December 2018 to EUR 112,138 thousand as of 31 December 2019. The increase was mainly due to an increase in other financial liabilities, which comprise shareholder loans to finance acquisitions.

Total current liabilities

KATEK SE's total current liabilities increased by EUR 35,694 thousand, or 90.59%, from EUR 39,401 thousand as of 31 December 2018 to EUR 75,095 thousand as of 31 December 2019. The increase was primarily due to increases in short-term loans, mainly related to the introduction of a credit line in connection with an acquisition by KATEK SE, increase in working capital, especially trade payables, in connection with the new acquired companies, and, increase of an inter-company loan (acquisition financing) with PRIMEPULSE SE. To a lesser extent, also increase of other liabilities primarily related to increased IFRS 16 financial leasing and personnel liabilities.

9.8 Liquidity and Capital Resources

9.8.1 Cash Flows

The following table sets forth the principal components of KATEK SE's consolidated statement of cash flows for the financial years ended 31 December 2020, 2019 and 2018.

	As of 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Net cash provided by / (used in) operating activities	**25,847**	**13,438**	**(2,576)**
Net cash provided by / (used in) investing activities	**(16,810)**	**(64,488)**	**(6,821)**
Net cash provided by / (used in) financing activities	**(14,127)**	**54,137**	**12,990**

9.8.1.1 Financial Year Ended 31 December 2020 Compared to the Financial Year Ended 31 December 2019

Net cash provided by / (used in) operating activities

Net cash used in operating activities amounted to EUR 25,847 thousand for the year ended 31 December 2020 compared to net cash provided by operating activities of EUR 13,438 thousand for the year ended 31 December 2019, which represents a difference of EUR 12,409 thousand, or 92.34%. This was primarily a result of achieved working capital optimisation and increased group net income.

Net cash provided by / (used in) investing activities

Net cash provided by investing activities for the year ended 31 December 2020 was EUR (16,810) thousand while net cash used in investing activities for the year ended 31 December 2019 was EUR (64,488) thousand, which represents a difference of EUR 47,678 thousand, or 73.93%. The decrease was mainly the result of lower cash out related to M&A activity (only one asset deal in 2020 compared to five company acquisitions in 2019), partially offset by higher capex related to production expansion investments.

Net cash provided by / (used in) financing activities

Net cash provided by financing activities for the year ended 31 December 2020 was EUR (14,127) thousand, while net cash provided by financing activities for the year ended 31 December 2019 was EUR 54,137 thousand, which represents a difference of EUR 68,264 thousand, or 126.09%. This decrease is primarily related to the repayment of liabilities to shareholders and to loan repayments.

9.8.1.2 Financial Year Ended 31 December 2019 Compared to the Financial Year Ended 31 December 2018

Net cash provided by / (used in) operating activities

Net cash provided by operating activities amounted to EUR 13,438 thousand in the financial year ended 31 December 2019 compared to net cash outflows of EUR (2,576) thousand in the financial year ended 31 December 2018, which represents a significant difference of EUR 16,014 thousand, or 621.66%. This year-on-year change was due to working capital improvements of current business as well as first consolidation effect on working capital, related to the acquired companies.

Net cash provided by / (used in) investing activities

Net cash used in investing activities was made up of net cash outflows totalling EUR (64,488) thousand in the financial year ended 31 December 2019 compared to net cash outflows of EUR (6,821) thousand in the financial year ended 31 December 2018, which represents a significant difference of EUR 57,667 thousand, or 845.43%. The year-on-year change is primarily related to increased purchase price payments related to KATEK Mauerstetten, KATEK Frickenhausen and eSystems.

Net cash provided by / (used in) financing activities

Net cash provided by financing activities totalled EUR 54,137 thousand in the financial year ended 31 December 2019 compared to EUR 12,990 thousand in the financial year ended 31 December 2018, which represents a significant difference of EUR 41,147 thousand, or 316.76%. This year-on-year change is primarily related to increased inflows from shareholder loans and financing loans related to M&A activity in 2019.

9.8.2 Capital Expenditures and Investments in Progress

The following table presents the Group’s investments in intangible and tangible assets as of 31 December 2018, 31 December 2019 and 31 December 2020. Payments for acquired companies are not included in the following table since assets and liabilities regarding the transactions have already been included in the Group's consolidated financial statements. For more information regarding acquired companies, see Section “11.12.1 *Transaction Contracts*”.

Investments (in EUR thousands, audited)	1 January 2020 –31 December 2020	1 January 2019 –31 December 2019	1 January 2018 –31 December 2018
Intangible Assets	1,025	375	232
Tangible Assets	16,711	6,043	2,405

Main investments during financial year 2018

In 2018, the Group invested EUR 232 thousand in intangible assets, mainly related to information technology infrastructure and software. KATEK invested EUR 2,405 thousand in tangible assets, thereof EUR 1,232 thousand in technical equipment and machinery, EUR 561 thousand in tools and other equipment, EUR 496 thousand comprised prepayments mainly related to properties under construction and the remaining amount related to investments in buildings.

Main investments during financial year 2019

In 2019, the Group invested EUR 375 thousand in intangible assets, mainly related to information technology infrastructure and software. KATEK has also invested EUR 6,043 thousand in tangible assets, thereof EUR 1,184 thousand in technical equipment and machinery, EUR 1,603 thousand in tools and other equipment primarily related to production; EUR 2,966 thousand comprised prepayments mainly related to properties under construction (KATEK Bulgaria and KATEK Grassau) and the remaining amount related to investments in buildings.

Main investments during financial year 2020

In 2020, KATEK has invested EUR 1,025 thousand in intangible assets, mainly related to information technology infrastructure and software. KATEK invested EUR 16,711 thousand in tangible assets, thereof EUR 7,270 thousand in technical equipment and machinery which included production expansion at the KATEK Mauerstetten and KATEK Czech Republic plants with new production lines, EUR 2,884 thousand in tools and other equipment primarily related to production; EUR 5,766 thousand prepayments mainly related to properties and production lines under construction, especially related to KATEK Czech Republic site, and the remaining amount related to investments in buildings.

Current and future investments

Current investment projects are related to an expansion of KATEK Bulgaria, which was partially postponed in 2020 and further investments in machinery and tools related to production, including expansion and renewal projects. Investments will be financed by operating cashflows and potentially, provided an adequate financing structure, by external financing (such as loans or leasing). As of the date of this Prospectus, KATEK SE has not made any firm commitments with respect to any additional material investments in the future.

9.8.3 Financial Resources

KATEK SE's financial resources include, among other items, bank loans, cash and cash equivalents, financial assets available for sale and net cash provided by operating activities.

The Group requires capital to fund regular investment, to cover ongoing capital requirements linked to its operating activities, to arrange financing and to fund cash outflows related to portfolio activities.

The main components of the Group's total liabilities are payments received on account of orders, trade payables, lease liabilities, liabilities to banks and deferred tax liabilities.

Payments received on account of orders

As of 31 December 2020, there were current payments received on account of orders of EUR 3,258 thousand resulting from a higher order backlog, compared to EUR 1,945 thousand for the financial year ended 31 December 2019 and EUR 553 thousand for the financial year ended 31 December 2018.

Lease liabilities

The following table shows the maturities of lease liabilities as of the date indicated:

(audited, EUR in thousands)	up to one year	1-5 years	over 5 years
as of 31 December 2020	5,206	17,536	7,243
as of 31 December 2019	3,568	13,560	2,122
as of 31 December 2018	31	2,072	0

Liabilities to banks

As of 31 December 2020, the Company's liabilities to banks totalled EUR 86,476 thousand as a result of entry into the financing arrangements with Deutsche Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, Germany Branch, as described in more detail in Section "11.12.2 *Financing Contracts*". At the end of December 2020, the Group had remaining credit lines totalling EUR 6,705 thousand compared to EUR 6,121 thousand credit lines as of 31 December 2019. The liabilities to banks include interest out of period as of 31 December 2020.

In the financial year ended 31 December 2019, the Company had liabilities to banks amounting to EUR 59,720 thousand, comprising overdraft facilities and term-loans. In the financial year ended 31 December 2018 liabilities to banks amounted to EUR 24,652 thousand.

Trade payables

The total amount of trade payables as of 31 December 2020 was EUR 43,421 thousand compared to EUR 22,554 thousand as of 31 December 2019 and EUR 14,370 thousand as of 31 December 2018. These increases are in line with the development of the Company's revenue, but also representing an optimisation of days payable outstanding due to main group's supplier negotiations with better payments terms achieved.

Other financial liabilities

As of 31 December 2020, there were no sureties for third-party loans, compared to EUR 652 thousand as of 31 December 2019 and EUR 60 thousand as of 31 December 2018.

The following table shows a breakdown of lease obligations, purchase commitments for investment projects and other financial obligations as of the dates indicated:

	As of 31 December		
	2020	**2019**	**2018**
	(audited, EUR in thousands)		
Lease obligations	745	7,607	9,343
Purchase commitments for investment projects	736	581	327
In tangible fixed assets	736	581	0
In intangible assets	0	0	327
Other financial obligations	47	357	232
Total	**1,529**	**8,546**	**9,901**

As of 31 December 2020 indirect and contingent or off-balance sheet liabilities of the Group were on a lower level in comparison to 31 December 2019.

9.9 Additional Information relating to the Audited Financial Statements of the Company prepared in accordance with German GAAP as of and for the Financial Year Ended 31 December 2020

The audited financial statements of the Company prepared in accordance with German GAAP as of and for the financial year ended 31 December 2020 have been prepared in accordance with the German Commercial Code and an English-language translation of these financial statements is included in the Prospectus beginning on page F-133. These financial statements are used to calculate the Company's distributable profit (*Bilanzgewinn*). Dividends to shareholders of the Company may only be distributed from such distributable profit. The accounting principles set forth in German GAAP may differ from IFRS in material respects.

9.9.1 Annual Statements of Profit or Loss

In the fiscal year ended 31 December 2020, the Company posted a net loss of EUR (5,556) thousand, compared to a net loss of EUR (2,658) thousand in the year ended 31 December 2019, resulting in an accumulated net loss of EUR (8,216) thousand as of 31 December 2020, compared to EUR (2,660) thousand as of 31 December 2019.

Revenue

The Company's sales increased from EUR 357 thousand in the fiscal year ended 31 December 2019 to EUR 977 thousand in the fiscal year ended 31 December 2020 as a result of an increase of the holding Company's service fee allocation to its subsidiaries due to the increased number of companies in the Group.

Other operating income

The Company's other operating income increased from EUR 1 thousand for the fiscal year ended 31 December 2019 to EUR 85 thousand for the fiscal year ended 31 December 2020. This change was driven by higher onward charging to subsidiaries, based on the holding company incurring costs for specific projects.

Total output/results of operations

As a result of the foregoing factors, total results of operations increased, from EUR 358 thousand for the fiscal year ended 31 December 2019 to EUR 1,062 thousand for the fiscal year ended 31 December 2020.

Personnel expenses

Personnel expenses increased from EUR 569 thousand for the fiscal year ended 31 December 2019 to EUR 3,558 thousand for the fiscal year ended 31 December 2020. This increase was driven by a full year effect of hired employees during 2019 and one new hiring in 2020 as well as a provision related to the first-time implementation of an employee incentive programme based on phantom stocks.

Amortisation of intangible assets and depreciation of property, plant and equipment

Amortisation of intangible assets and depreciation of property, plant and equipment decreased, from EUR 1 thousand for the fiscal year ended 31 December 2019 to EUR 6 thousand for the fiscal year ended 31 December 2020. This change was primarily related to increased depreciation of tangible assets.

Other operating expenses

Other operating expenses increased from EUR 655 thousand for the fiscal year ended 31 December 2019 to EUR 1,621 thousand for the fiscal year ended 31 December 2020. This increase was primarily the result of higher general and administrative expenses.

Interest and similar expenses

Interest and similar expenses increased from EUR 1,923 thousand for the fiscal year ended 31 December 2019 to EUR 2,052 thousand for the fiscal year ended 31 December 2020. This increase was primarily due to interest payable to banks.

9.9.2 Annual Statements of Financial Position

As of 31 December 2020, the total assets of the Company amounted to EUR 118,225 thousand, compared to EUR 104,933 thousand as of 31 December 2019.

Fixed assets

The Company's fixed assets increased from EUR 98,442 thousand as of 31 December 2019 to EUR 108,758 thousand as of 31 December 2020. The increase was primarily driven by the acquisition of shares in affiliated entities, offset in part by decreased loans to affiliated entities.

Current assets

The Company's current assets increased from EUR 6,490 thousand as of 31 December 2019 to EUR 9,406 thousand as of 31 December 2020. This increase was primarily driven by increased cash and cash equivalents, offset in part by decreased receivables related to affiliated entities.

Equity

The equity of the Company amounted to EUR 2,340 thousand as of 31 December 2019, compared to EUR 40,784 thousand as of 31 December 2020. The increase was primarily driven by a capital increase against contributions in kind effective as of 29 October 2020 made by the current main shareholders.

Liabilities

The Company's liabilities decreased from EUR 102,554 thousand as of 31 December 2019 to EUR 74,687 thousand as of 31 December 2020. The decrease was primarily the result of the decrease of intercompany loans with PRIMEPULSE SE and grosso tec AG offset in part by increased liabilities to the banks.

10. MARKETS AND COMPETITION

10.1 General

The statements on markets and competition provided below are based on the third-party sources cited and on the Company's internal market observations and estimates – some of which are, in turn, derived from various sources the Company believes to be reliable (also see Section "2.4 *Information from Third Parties*"). These sources do not fully reflect the potential impact of the ongoing global COVID-19 pandemic and second wave of infections. In view of the potential effects of this pandemic on the economy, society and markets in which KATEK operates, all current forecasts can be made only with a high degree of uncertainty. This applies particularly in the context of links and interrelations between the global financial markets, economies and political decisions, which each individually may have an influence on the economic and political development, and when combined are currently impossible to assess with any certainty *ex ante*.

The Company operates mainly in the European electronics manufacturing market. Its subsidiaries operate with sites in Germany, Hungary, Bulgaria, Czech Republic, Lithuania, Switzerland, Singapore and Malaysia.

The structure is also reflected in the sales volumes, where Germany accounts for 72% of revenue in 2020, 65% in 2019, and 58% in 2018, respectively. Europe (without Germany) accounted for 24% (2020).

The Company does not divide its business into distinct operating segments.

Within the European electronics manufacturing market, the Company is focused on high-growth end markets within electronics engineering and manufacturing services ("**EMS**") and outsourced electronics markets. These high-growth end markets include e-mobility, solar and energy, rapid prototyping, assistive technology and intelligent point-of-sale systems. The Company had a leading number two market position in Germany in 2020 and regards itself to be the fastest-growing company in the European EMS market on the basis of Company estimates that are founded on (Weiß, 2021).

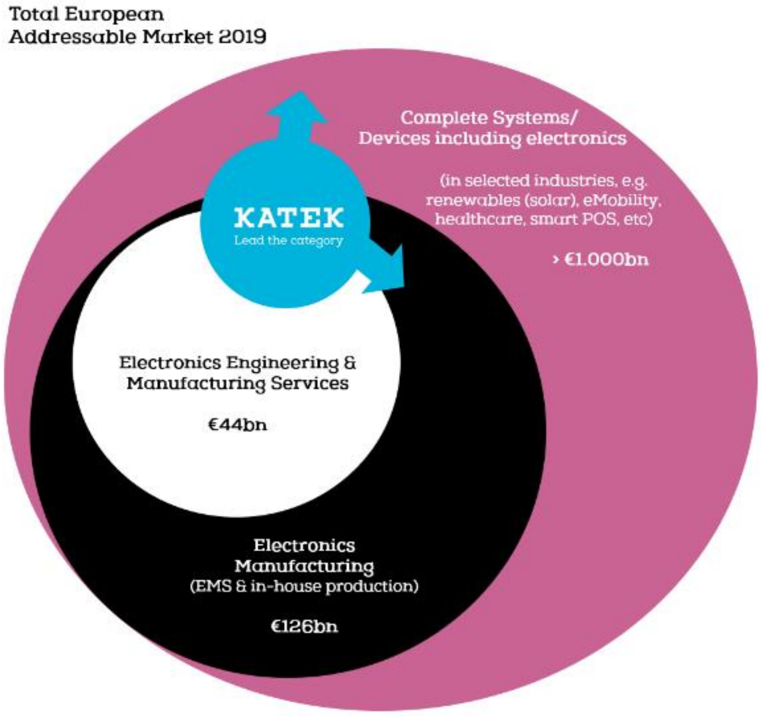
This leading market position and firm focus on high growth end markets is evidenced by the Company generating EUR 414.2 million in revenue in the year ended 31 December 2020, an increase of 58.7% compared to the preceding year.

10.2 Addressable Market

In line with its consolidation strategy, the Company is targeting the European market, in particular the high-growth end markets within the EMS and outsourced electronic value chain markets.

The Company estimates that the total opportunity in the European markets and categories it currently addresses is over EUR 1,000 billion in revenue. This addressable market is a combination of opportunities within the European market for electronic components and systems. Given that a large portion of this manufacturing volume is still carried out in-house by original equipment manufacturers ("**OEM**"), the submarket for electronics manufacturing outsourcing is around EUR 126 billion (Weiß, 2021). This can further be drilled down to the submarket comprised of European pure-play EMS activities (EUR 44 billion) (Weiß, 2021).

The Company's addressable market is illustrated in the graphic below.



Source: Company illustration based on Weiß, 2021

10.3 Key Growth Trends

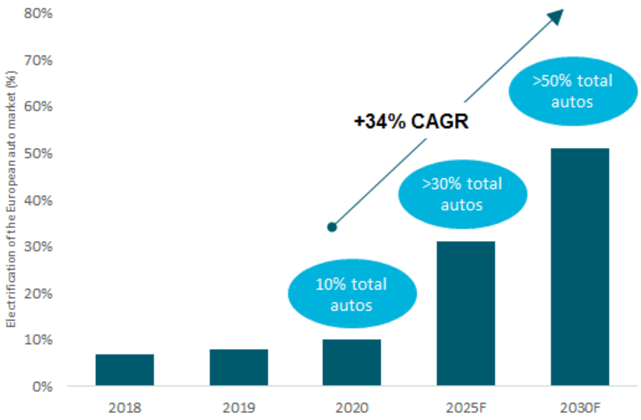
The Company operates in growth markets with a focus on high-growth end markets, in which the growth is particularly driven by secular tailwinds flowing from a carbon-based past to an electricity-powered future (IEA, 2020).

10.3.1 The Rise of Electric Vehicles and E-mobility Charging Needs

The Company is currently supplying one of the leading charger and in-cable control box solutions for electric vehicles in Europe to blue chip customers such as automotive OEMs, and expects to expand its presence significantly in this high-growth end market in the coming period.

The Company’s estimated outlook regarding the demand for these products is based on the fact that car manufacturers across Europe are largely shifting towards electrification. In fact, most manufacturers plan to introduce an increasing number of electric models by publicly announcing targets for future model launches and sales of electric vehicles. European car manufacturers alone plan to launch around 400 new electric-vehicle models between 2020 and 2025 (McKinsey Center for Future Mobility, 2020) with more than 200 electric-vehicle models expected to be available in Europe by 2021 (Mathieu, 2020). In the EU, the number of electric vehicles on the road has increased from 670,000 in December 2017 to 1.3 million in November 2019 (Mathieu, 2020).

According to projections made by Transport & Environment ("**T&E**"), the number of electric vehicles on the road in the EU will increase to 13 million by 2025 and about 33 million by 2030, assuming that car manufacturers will comply with the minimum EU CO_2 emission targets of minus 15% by 2025 and minus 37.5% by 2030 (compared to the current emission levels, T&E's 'Current Policies scenario'). Moreover, the number of electric vehicles on the road in the EU would have to rise to about 14 million in 2025 and 44 million in 2030 in order to achieve a zero-emission road transport sector by 2050 (T&E's 'Road2Zero scenario') (Krajinska, 2020).



Development and forecasted rise of the EV industry (Boston Consulting Group, 2020)

The Company expects related products that it develops and manufactures, including (but not limited to) charging devices and infrastructure, to follow a similar growth trajectory.

10.3.2 The Increase in Demand for Solar Energy

The Company is a European leading solar inverter producer for residential solar energy applications, with a state-of-the-art efficiency of 98%, on the basis of Company product specifications.

The EU's stated aim is to be climate neutral by 2050, an economy with net-zero greenhouse gas emissions. This transition to a climate-neutral society is driving a clean energy transition and boosting demand for solar energy solutions (IEA, 2020).

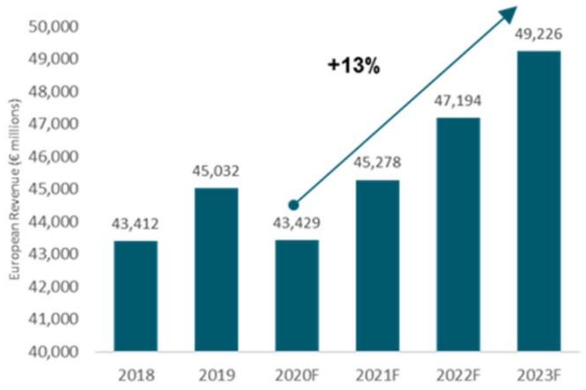
Recent forecasts for Europe’s 2050 energy mix envisage that electricity could make up 85% of the EU’s energy mix of which far more than 60% would be generated by solar energy (Ram, 2020).

According to the study cited above, solar / photovoltaic energy is the fastest-growing renewable energy source. This forecast has already started to materialise with 2020 being the second-best year ever for the solar industry in terms of installed capacity. Germany, one of KATEK’s core markets, led the installation ramp-up by installing 4.8 GW, making it the largest solar market in Europe (SolarPower Europe, 2020).

Accordingly, the Company is confident it will see significant growth in demand for what it believes are its market-leading solar energy products and related manufacturing services.

10.3.3 The Growth of the Overall EMS Market

The Company focuses on selected high-growth segments of the EMS market, which is a structurally growing market forecasted to grow by 13% to 2023, as shown in the following chart.



Development and forecasted growth of the European EMS Market, based on (Weiß, 2021)

10.4 Competitive Landscape

The Company operates in a highly fragmented market. In4Ma estimates there are more than 2,200 EMS companies currently active in Europe (Weiß, 2021). In the Company's view, the competitive landscape is diverse and varies by country. There are both domestic and international competitors. The Company believes that international competitors, particularly large Asian contract manufacturers, are no direct competition in regard to its relevant high-mix, low-volume customer segment and the full value chain approach.

In the Company’s domestic home market of Germany, the main competitors include Zollner, TQ Group, BMK Group and Neways Deutschland. Based on reported revenue for 2020, in4ma market research, and Company estimates, the Company is currently the second-largest German player with a market share of approximately 5%. (Weiß, 2021)

In line with the Company’s consolidation strategy, the Company believes that this high level of fragmentation provides significant opportunity to actively consolidate, expand and grow future market share.

11. BUSINESS

11.1 Overview

KATEK is a leading European electronics company, active in the market for high value electronics/ electronic services market. Measured by market share it currently ranks as number two in Germany and is the fastest-growing European company in this sector. The Company's assessment of its market position is based on in4ma market data and Weiß, 2001– for details on the competitive position please refer to Section "10 *Markets and Competition*".

Having a well-diversified customer base, KATEK serves what it believes to be the most attractive electronics end-markets. This customer and industry portfolio has been built up by selective M&A, as well as targeted organic growth initiatives.

In the financial year ended 31 December 2020, KATEK generated revenue of EUR 414.2 million (financial years ended 31 December 2019 and 2018: EUR 261.0 million and EUR 164.1 million, respectively) and Adjusted EBITDA of EUR 20.8 million (financial years ended 31 December 2019 and 2018: EUR 10.4 million and EUR 7.0 million, respectively). In the financial year ended 31 December 2020, KATEK had a headcount of 2,292 (financial years ended 31 December 2019 and 2018: 2,123 and 1,458, respectively).

11.2 History and Key Milestones

While the Group in its current form was only established in 2018, the history of its operating subsidiaries goes back to the 1970s, when KATEK Memmingen GmbH (originally Steca GmbH), KATEK Frickenhausen GmbH (formerly known as bebro electronic GmbH), and KATEK Mauerstetten GmbH (historically ETL Elektrotechnik Lauter GmbH) were founded.

After acquiring Steca GmbH and Katek GmbH in 2016 and 2018, respectively, PRIMEPULSE SE combined the two entities under the KATEK SE brand, thus forming a new player in the European electronics market. Supported by economies of scale in sourcing and administrative functions and other support activities – while retaining local workforce and long-standing customer relationships – KATEK set out to accelerate its growth with further acquisitions. The acquisition of ETL Elektrotechnik Lauter GmbH in 2019 was a further step in diversifying the industry portfolio towards healthcare and strengthening the embedded electronics capabilities of the group. Subsequently, KATEK also took over the bebro group, including its prototyping unit (beflex) and e-mobility powerhouse eSystems in October 2019. After acquiring assets of Huf in March 2020 (specialised in automotive locks – power train agnostic), Siemens Kaco in December 2020 (hybrid inverter add-on) and Leesys-Leipzig Electronic Systems GmbH in February 2021, KATEK now has what it believes to be a well-diversified portfolio.

11.3 Competitive Strengths

The following provides an overview of what KATEK believes to be its key competitive strengths:

11.3.1 "Speedboat" approach: KATEK believes that it combines the agility and customer centricity of a medium-sized provider with the economies of scale and performance of an international player

KATEK believes that its unique position in the market comes from combining two desirable traits: the agility of a customer-oriented medium-sized *German Mittelstand* company with the scale and professionalism of a major international player. This allows KATEK to be well aware of its customers' needs and maintain a high level of reliability – which KATEK thinks are keys in a service-oriented business. The (cultural) background of KATEK's operating entities can be most aptly characterised as entrepreneurial, with a can-do attitude, flat hierarchies, and fast bottom-up decision making processes.

11.3.2 Service Offering: KATEK views its end-to-end offering as appealing and catering to customers of different sizes and from various industries

KATEK offers a wide range of solutions, covering the entire electronics lifecycle from development to prototyping, manufacturing, and end-of-life services. This allows KATEK to be a one-stop solution for its customers for both their established standard product lines, as well as new products, enabling them to go fabless. High quality is of particular importance to the services of KATEK, given that electronic systems, products, and components need to be highly reliable and rugged for the specific use case. KATEK continuously ensures that the immaculate quality standard is kept by investing in its testing and quality control equipment and processes. Part of this investment entails developing KATEK´s own test software in-house. KATEK believes it can guarantee the implementation of the agreed-upon test strategy and provide its customers with automatic and accurate documentation. In KATEK´s view, this approach to quality will be an increasingly important asset for it.

11.3.3 Prototyping: The Group has a dedicated prototyping unit that is believed to be a prime service and entry point for new customers

Prototyping services have become increasingly important for most original equipment manufacturers, given the unprecedented speed in technological innovation and changing customer needs. In order to address the large and growing market of professional rapid electronics prototyping, KATEK acquired beflex electronic GmbH as a dedicated prototyping unit. With four locations spread out across Germany, KATEK believes beflex is in a prime position to serve customers with consistently short waiting times. Offering prototyping-as-a-service helps customers outsource this highly complex task, and is furthermore valuable to the Company's research and development department, helping it optimise printed circuit board design and recognise trends in time.

11.3.4 Access to the PRIMEPULSE ecosystem: KATEK believes it can draw value from being embedded in an entrepreneurial ecosystem and having exposure to current technological trends

While being a self-sufficient and independently acting entity, KATEK retains good connections to the entrepreneurial ecosystem of PRIMEPULSE SE, which the Group views as an expert and thought leader in the digitalisation of companies and business models. With its portfolio of technology companies and start-ups, PRIMEPULSE SE periodically offers valuable advice on such matters. KATEK believes that this additional view on the market helps it to spot upcoming developments early on and be up-to-date. In addition, having access to various actual and potential customers allows for a better understanding of markets, leading to a continuous improvement of its offering.

11.4 Strategy

KATEK has established and strengthened its current market position through the acquisition of numerous companies with partly different and complementary business models and industry specialisation. At the same time, KATEK has developed an internal steering mechanism (strategic functions and competence centre model) which allows it to lift substantial technical economies of scale by centralising certain functions (best of class model) while maintaining a maximum autonomy of the respective subsidiaries.

The key element of the Company's strategy is to continue its historic growth at above average growth rates as well as to further improve overall profitability. KATEK aims to be the leading European partner for electronic tech solutions, covering the entire value chain and serving global growth industries.

To achieve this, KATEK has developed the following growth plan:

11.4.1 Accelerate its organic growth and overall profitability by focusing on high-value electronics ("HVE") solutions and on high growth markets, further expanding the competence centre/shared services model as well as further developing its production allocation strategy.

Focus on HVE/High-growth Markets: Today, KATEK offers products and services in the fields of smart charging, smart retail, renewable energies/smart home as well as prototyping. Planned measures are:

- new product development with existing blue chip-customers, thus strengthening customer retention;

- winning new customers via strategic sales initiatives based on existing know-how in high growth markets such as e-mobility, internet of things, health, and renewable energy; and

- expanding the prototyping-business by opening new locations in promising European regions. This strategy follows the need for customer proximity in the prototyping-business in order to shorten time-to-market for newly developed products. Based on the four existing prototyping locations in metropolitan areas in the South (Stuttgart region), West (Cologne region) and North (Hamburg region) of Germany, there is significant potential for additional locations all over Europe. When deciding about new locations, KATEK either follows existing customers or defines the potential for new customer acquisition in the respective region.

Expansion of Competence Centre/Shared Services Model: The basis of this so-called “speed-boat-approach” is to centralise strategic functions such as global sales and strategic sourcing in order to realise economies of scale (as part of the margin-improvement-strategy), while maintaining each subsidiary's independence, speed and market proximity in order to maximise group efficiency. In this model, each subsidiary has special knowledge or a comparative competitive advantage compared to other subsidiaries ("best in class") with regard to technical skills (*e.g*. embedded systems), process know-how (*e.g.* manufacturing skills), industry-expertise (*e.g.* healthcare) or certain research and development capabilities (*e.g.* solar inverters). Each competence centre offers its skills to all group companies, thus enabling each entity to expand and cross-sell its product and services offering for existing clients, as well as to gain new clients. At the same time, each competence centre pools the entire Group's knowledge in the respective field and can therefore develop a high degree of specialisation for the benefit of the whole group. KATEK plans organically (and inorganically, as described in more detail below) to grow these competencies in order to become a full-service provider for electronic applications. This will also include further investments in information technology systems and software, in order to improve the shared services approach as part of overall investments in the further digitalisation of business processes.

Enhancement of production allocation: As with technical and industry-level know-how, each company of the Group has a historically developed production set-up. This includes high-mix, low-volume set ups, typically for superior-grade products (*e.g.* medical devices) as well as high-volume, low-mix set-ups, typically for lower-grade mass products (*e.g.* consumer goods). Moreover, there are production locations in Western Europe, typically with higher wages and a higher degree of automation, and in low-cost regions like Eastern Europe and Asia. Depending on production requirements, specifications and guidelines, KATEK is able to allocate production (including bundling) in order to maximise production efficiency in terms of costs, time and logistics, while concurrently maintaining product quality. This process of production allocation will be further optimised and will also include investments in new buildings and machinery at existing production sites as well as new sites, including by way of future company acquisitions, as discussed in more detail below.

11.4.2 Continue inorganic growth through strategic acquisitions

Inorganic growth has played a major role in positioning KATEK amongst the market leaders in the European electronics industry. Management will continue this inorganic growth strategy focused on Germany, Austria and Switzerland, and based on a significant deal flow through a broad and grown network of transaction multipliers such as banks, mergers and acquisitions advisors, consultants as well as market specialists such as industry associations and experts. Moreover, KATEK administers a detailed list of relevant and potential acquisition targets and proactively approaches selected companies in order to investigate options for a potential transaction. In the past, and also in the future, KATEK was and is open to both share deals (typically acquiring a majority shareholding, ideally 100%) as well as asset deals, which often come in connection with an outsourcing strategy of original equipment manufacturers who have historically produced electronic components in-house.

In principle, KATEK's mergers and acquisitions strategy is twofold:

- On the one hand, the target focus is on small and mid-sized companies offering development and production of own end products and complete systems and solutions including software and prototyping services in growth markets such as medical technology or e-mobility. This element of the inorganic strategy is focused on broadening KATEK’s technological know-how and range of own products as well as on increasing the Group's Adjusted EBITDA Margin.

- On the other hand, the target focus is on mid-sized and larger companies, ideally with sales exceeding EUR 50 million, offering all services along the typical electronic services value chain in order to:

    - benefit from economies of scale;
    - win new clients and industry expertise; and
    - expand into new markets (*e.g.,* the Americas and Eastern Asia).

Ultimately, the growth strategy aims to expand and strengthen the KATEK brand, and thus KATEK’s market visibility, which has, amongst others, two main effects:

- high customer attraction (including through tender offers), and

- high talent attraction.

11.5 Products and Services

As an electronics company, KATEK is mostly concerned with offering end-to-end services along the entire electronics value chain. This includes the development of electronic tech solutions, rapid prototyping services, procurement of materials, manufacturing of assembled circuit boards, measurement and testing, as well as box-build. Occasionally, KATEK also covers further parts of the value chain, such as logistics or after-sales services.

At the same time, KATEK also offers a range of products that are sold directly to end customers. An important part of this offering are clean energy solutions sold under the Steca brand, e.g., hybrid inverters for solar energy together with accompanying cloud software. Another important and fast-growing product family are eSystem’s intelligent charging solutions for electric vehicles that are sold directly to original equipment manufacturers.

KATEK believes that its customer centricity is also epitomised by its proximity to the customers. In order to be able to offer competitive pricing, KATEK has established an international production- and procurement network that allows it to fully capitalise on both its size and local embeddedness. KATEK´s manufacturing sites are located in Memmingen, Grassau, Mauerstetten, Frickenhausen, Düsseldorf, Leipzig Wendlingen, Munich, Hamburg, and Witten (Germany), as well as Saedinenie (Bulgaria), Györ (Hungary),Horní Suchá (Czech Republic) and, Panevežys (Lithuania). This setup is designed to quickly respond to customer requests while being highly reliable.

11.6 Customers

KATEK´s customers typically generate more than EUR 100 million in annual revenues, on average. Its customer relationships tend to be long-term, which KATEK believes is a result of retaining customer centricity.

In the financial year ended 31 December 2020, based on data available to the Group, its revenues were split among different customer industry applications as follows:

Consumer Electronic	26.2%
Transportation & e-mobility	28.1%
Industrial & IoT	29.6%
Renewable Energy	9.5%
Health	5.6%
Other	1.1%

Transportation and e-mobility

Business aimed at the transportation industry accounted for around 20.1% of the Group´s annual revenue in 2020, with pure-play e-mobility generating an additional 7.9%. KATEK believes it is well-positioned in this segment for two reasons: (i) its strong foothold in the e-mobility sector and (ii) insulation from automotive supplier setbacks due to power train-agnostic solutions and systems. For example, eSystems develops charging solutions and associated software and is the exclusive Tier 1 supplier of a renowned German premium car maker, while KATEK Düsseldorf supplies intelligent locking systems for automobiles.

Renewable energy (smart grid and smart home)

Accounting for around 9.5% of KATEK's revenue, the Company regards renewable energy as an important industry. In addition to a range of Steca-branded products, KATEK also develops and manufactures various solutions for its customers that are in the market for smart residential energy solutions. The Company believes that, given the secular shift from a carbon-based to a renewable energy world, this will allow the KATEK renewable segment to grow alongside its customers.

Consumer electronics

KATEK's customer base in the consumer electronics sector mainly comprises smart home appliance OEMs. Accounting for around 26.2% of KATEK's annual revenue, KATEK believes it has relevant capabilities for the increasingly complex and fast-changing preferences of its customers. The Company perceives these preferences as being increasingly geared towards connectivity and strives to maintain a relevant offering.

Industrials and internet of things

As briefly discussed in Section "10 *Markets and Competition*", KATEK believes industrial automation will continue along its growth path. As a central element of this trend, the Company believes that the embedded computing capabilities that especially KATEK Mauerstetten has are a key differentiator and make KATEK's offering compelling to customers in the industrial automation industry. In 2020, these segments represented 15.8% (industrials) and 13.8% (internet of things) of KATEK's revenue, respectively.

Smart agriculture

The smart agriculture offering mainly comprises electronic systems and components for smart illumination and irrigation systems. As a relatively new component of KATEK's offering, smart agriculture solutions are currently still labelled as part of "other revenue" (1.1% of total revenues). However, the Company is confident that it will grow this segment in lockstep with its customers who are primarily focused on software and the development of use cases and usually "fabless", i.e., without manufacturing sites. KATEK expects this customer segment to benefit from agriculture's shift towards sustainable food production that maximises yield while taking into account biodiversity and lower resource consumption.

Healthcare

Accounting for around 5.6% of KATEK's revenue, the Company regards healthcare as an important industry. The healthcare market is growing rapidly, driven by the growing demand relating to the population pyramid and the increasing technological abilities focusing on connectivity, security, scalability and sustainability of medical devices. Applications range from IoT end devices to infrastructure systems, moving beyond just data collection and now enabling insight for smart, practical applications that add value to patient care by providing real-time data and also reduce the cost of care. KATEK is supporting medical equipment manufacturers to develop and manufacture equipment that is reliable, simple to operate, and cost efficient.

11.7 Business Operations

11.7.1 Research and Development

KATEK has a strong focus on research and development, enhancing its product portfolio through highly innovative developments in potentially attractive target markets. As of the date of this Prospectus, the Group has four main development sites in Memmingen, Mauerstetten and Wendlingen in Germany and La Chaux-de-Fonds in Switzerland. In addition to the focus areas described below, all development teams of the Group including the teams in Frickenhausen and Horní Suchá are highly skilled to support and develop for customers throughout all relevant areas.

The eSystems research and development team in Wendlingen develops cutting-edge charging solutions for the automotive industry. For example, by the team in Wendlingen has completely (hardware and software) developed and brought to market the mobile high-end charging solution for a leading fully electric car model. This device combines high-speed charging with 22 kW, intelligent management through a Wi-Fi connection, as well as through a touch screen, in one cable, which is able to operate under nearly all environmental circumstances and is highly resisted to any physical damages.

The KATEK Memmingen research and development team develops leading solutions for photovoltaic grid and off grid inverter and charging systems. The Company believes these products are leading products in the market, sold under KATEK's own brand, Steca, as well as under the brand of leading solar companies. With these products, KATEK stands at the forefront of innovation in core areas of renewable energies, supporting both its dedication to responsible entrepreneurship as well as its strategy to penetrate growing future markets with its proprietary products.

The KATEK Mauerstetten research and development team has a strong focus on embedded system development, allowing it to support a broad variety of markets, such as medical industries as well consumer and communication industries. For example, this team has developed a full-blown cash register system, allowing customers to improve their operational processes. Being able to do this, KATEK believes it is also ready to penetrate upcoming markets such as the internet of things, having a strong demand for embedded systems.

The recently added TeleAlarm research and development team, which forms part of the Company's newest subsidiary, KATEK Leipzig GmbH, located in La Chaux-de-Fonds, Switzerland, develops a market-leading care phone and nurse call system including a management system, enabling the Group to expand its strong footprint in the growing medical devices market. The newly developed product range, proving innovations to the market, will allow KATEK to participate in the development of the market significantly, driven by demography and an increasing focus on heath and caring systems.

Overall, KATEK has a broad research and development capacity to develop in a wide array of application areas, starting from the needs of its customers up to leading markets with own developed products.

For the year ended 31 December 2020, research and development expenses amounted to EUR 9.0 million for customer-related development services. Research and development expenses for own products amounted to EUR 200 thousand in the reporting year, so that aggregate research and development expenses totalled EUR 9.2 million. In the previous years, these expenses were reported in one aggregated sum (of EUR 3.68 million in the fiscal year ended 31 December 2019 and EUR 3.74 million in the year ended 31 December 2018).

11.7.2 Procurement and Strategic Sourcing

Within the Group, sourcing is divided into the areas of strategic and operational purchasing with corresponding dedicated teams. These teams are in close contact, exchanging relevant information between KATEK production plants with regard to demand planning.

The strategic purchasing department is characterised by its lean and at the same time powerful setup. In each KATEK plant, it consists of a purchasing manager and several material group managers. The purchasing manager reports directly to the Director Strategic Sourcing on technical matters.

The division into commodity groups is an integral part of strategic purchasing. The commodity groups of the individual supplier plants are linked to each other and are in close contact with each other with regard to current market events.

Local and global benchmarks are jointly defined by the purchasing management and the commodity group managers of the individual plants. The data from the consolidated global requirements flow into the Group Lead Buyers (Europe and Asia). These then enter into negotiations with the suppliers on the basis of the total global requirements. This "buying power" ensures that KATEK can operate in the largest procurement markets and consistently demand bundling effects from suppliers. In addition to achieving maximum economies of scale, acting as a single purchasing organisation leads to attractive payment terms and volume-dependent bonus arrangements.

The local benchmarks complement the global negotiations so that the procurement volume is negotiated on the best possible terms, thus ensuring a holistic approach.

Once the negotiations have been completed, the corresponding data are stored in the system. This information is further processed by operational purchasing. It manages the placement of requirements and responds flexibly to customer requests in terms of time with the purchase orders.

11.7.3 Production

Given that reliability and quality are at the centre of KATEK's manufacturing strategy, in its production KATEK addresses all elements of the value chain from prototyping to full finished box-building, delivering the requisite capabilities in different fields such as layout, design to manufacturing, plastic injection moulding, surface mount technology, through-hole technology, various types of soldering, various types of testing, laser technologies, x-ray, obsolescence management, assembly and box-building.

In the area of prototyping, in addition to all KATEK production facilities being able to deliver high quality prototypes, Beflex is specialised company in this field, with four sites (Frickenhausen, Witten, Munich and Hamburg) where products are manufactured in clean rooms, fulfilling the highest standards. This enables KATEK to produce prototypes and small series, including those with high complexity and very small parts.

At the other production sites, KATEK is able to produce various types of orders from high-mix, low-volume to low-mix, high volume, primarily as a result of the high flexibility that the Group has implemented in operational processes while striving not to compromise on quality. In its production technology, KATEK typically relies on the world’s leading equipment manufacturers, for example its surface mount technology capabilities are mainly based on ASM and Fuji assembler.

In its production sites, KATEK fulfils a wide variety of certifications, including ISO 9001, 14001, 27001 and 50001; the automotive certification IATF 16949; the medical certification ISO 13485, and EN ISO IEC 80079-34 (ATEX) in line with its goal of achieving the highest quality in production.

Furthermore, with a series of competence centres, KATEK ensures extensive exchange of know-how between its locations. This includes production-related competence centres for test engineering, certification and technologies.

In the area of production management, KATEK has implemented a wide array of systems such as manufacturing execution systems and traceability systems on part level.

11.7.4 Sales and Marketing

Business Development and Sales

The Group integrates EMS players with a long track record in a forward-looking consolidated group. This forms, in the Company's view, a unique setup.

KATEK's sales professionals share a profound knowledge of the European EMS market and the competition, and have earned customer loyalty through persistent performance. They follow an integrated sales approach under the KATEK brand, which the Company believes ensures a wider reach and better access to potential customers than a standalone approach.

At the Group level, KATEK emphasises the meaning of personnel development to lead individuals through an internationally experienced leadership team and fosters a collaborative, strategic approach to markets and customers. Expertise is brought together. Value propositions are defined based on the capabilities of the entire Group. Hence, KATEK believes it unlocks significantly more business potential and creates more meaningful business opportunities while maintaining a strong foundation.

KATEK focusses on markets whose participants develop solutions that have a sustainable impact on society and therefore tend to outperform in terms of growth. Examples of such solutions include digitalisation, analytics, the internet of things, medical / precision medicine, digital services, smart logistics, artificial intelligence optimised manufacturing, smart building, smart cities, mobility solutions, autonomous driving, tracking, urban farming, green technology and water technology.

KATEK's targeted customers are leaders in their respective markets and value an experienced supply chain partner who can seamlessly manage the complete value chain from research and development and prototyping, to mass production and to end of life. The Group also focusses on certain “sweet spots” regarding customer size, addressable market and typical deal sizes to ensure higher profitability.

The business with existing customers is led by an effective key account organisation. KATEK focuses on establishing trusted relationships throughout this process as this generally facilitates growing revenue and increasing profitability.

Marketing

The KATEK brand plays a central role in the Group's marketing approach. The Group's heritage builds on what it believes to be its proven excellence in all steps along the EMS value chain.

KATEK offers qualitative and quantitative scalability, starting from development and prototyping to full industrial serial production and after-life services. The Group sees itself as the supply chain expert and sparring partner for its customers with a European cultural fit and an international openness.

In the interaction with its customers, KATEK proactively develops ideas and strives to think outside the box in order to help customers reinvent their product and solutions portfolio and value chain, and increase their competitiveness.

The Company uses modern communications channels such as social media and digital communications to disseminate its marketing message.

11.8 Intellectual Property Rights

Patents

As of the date of this Prospectus, the Company and its subsidiaries own eight patents in various jurisdictions which are relevant for its business, of which the following bear particular importance:

- inverter with buck converter circuit; and
- inverter with direct current phase reversal.

Trademarks and Registered Designs

As of the date of this Prospectus, KATEK is the owner of 10 trademarks and three designs in various jurisdictions which are relevant for its business. Most of these trademarks are EU registrations. The trademarks owned by KATEK that are of particular importance for its business are:

- KATEK;
- Steca;
- Solaris;
- Tarom;
- Solsum;
- Atonic
- Leesys
- bebro
- belflex, and
- TeleAlarm

Domains

As of the date of this Prospectus, KATEK is the owner of 61 domains, including the following:

- *katek-group.de;*
- *katek-group.com;*
- *katek.de; and*
- *katek-gruppe.de*

11.9 Employees

The Group had a total headcount of 2,288 employees as of December 31, 2020, 1,398 of whom were employed in Germany. In addition to its permanent employees, the Group employed 189 temporary workers (*Leiharbeitnehmer*) (headcount) as of December 31, 2020.

The following table shows the number of employees (headcount) as of December 31, 2020, 2019 and 2018, broken down by function:

	2020	2019	2018
Industrial workers	1,649	1,425	1,070
Office employees	562	619	313
Trainees	81	79	75
Total	**2,292**	**2,123**	**1,458**

The following table shows the number of employees (headcount) as of December 31, 2020, 2019 and 2018, broken down by region:

	2020	2019	2018
Germany	1,402	1,259	898
Bulgaria	294	302	301
Hungary	228	238	258
Czech Republic	368	324	0
Austria	0	0	1
Total	**2,292**	**2,123**	**1,458**

As of the date of the Prospectus, the Group employs a total of 2,600 employees (headcount). Since 31 December 2020, there has been a material change in the number of employees in particular in connection with the Company's acquisition of the Leesys electronics site in Leipzig, Germany as described in Section "11.12.1 *Transaction Contracts*."

On 8 September 2020, the Company instituted a phantom stock programme which grants three employees a cash-settled share-based payment when defined exit conditions are fulfilled. The exit conditions include the loss of control by PRIMEPULSE SE and the Offering. The term of the programme will expire on 30 September 2030 and lapses without any consideration if the defined exit conditions are not met. In sum, 3,600 phantom stocks were granted in 2020 and categorised as other personnel liabilities presented under current liabilities in amount of EUR 2,400 thousand as of 31 December 2020.

11.10 Insurance

KATEK maintains insurance coverage (including director and officer liability insurance) it believes to be customary for a company in its industry. The Company periodically reviews its insurance coverage for adequacy in light of the risks it faces as a business and as business conditions change.

11.11 Legal and Administrative Proceedings

The Company and its subsidiaries are from time to time involved in court, administrative and regulatory proceedings in Germany and other countries, which are not described herein and that are incidental to the normal conduct of KATEK's business, including ordinary course litigation with former employees. KATEK does not believe that the outcome of any such proceeding, if decided adversely to KATEK's interests, will have a material adverse effect on KATEK's results of operation, cash flows or financial condition.

KATEK is currently not, and has in the past 12 months not been, involved in any court or arbitration or administrative proceedings which could have a significant impact on its overall financial condition.To the best knowledge of the Management Board, no such proceedings are pending or threatened.

11.12 Material Contracts

The following provides an overview of contracts that are material to KATEK's business or profitability. Apart from the agreements summarised below, there are no other contracts that are, in the Company's view, material to KATEK's business.

11.12.1 Transaction Contracts

Share acquisition – AISLER B.V.

On 15 April 2021, the Company entered into an investment agreement regarding the acquisition of an aggregate amount of 2,061 shares of AISLER B.V., with its registered seat in Vaals, the Netherlands, ("**AISLER**") with Lunaix GmbH, with its registered seat in Aachen, Germany, and Platzhalter B.V., with its registered seat in Vaals, the Netherlands, ("**Platzhalter**"), as the two current shareholders of AISLER, and Felix Plitzko and Patrick Franken, as the shareholders of Platzhalter..

Under the terms of the investment agreement 1,061 newly issued shares of AISLER will be issued against cash contributions and will be subscribed by the Company. The aggregate subscription price for the newly issued shares was set at EUR 1,600,000.00.

In the course of this transaction, the Company, as buyer, will also enter into a share purchase agreement with Lunaix GmbH, as seller, regarding the purchase of 1,000 shares of AISLER. The sole shareholder of Lunaix GmbH is Mr Stefan Fritz. The fixed purchase price for the sold shares amounts to EUR 900,000.00. Depending on the revenue development within the next five years, the purchase price may increase by a low single-digit million amount.

Following the closing of this transaction, the Company will hold a total of 2,061 shares of AISLER, which represent holdings of 50.01%, and Platzhalter will control the remaining 2,060 shares, which represent 49.99%.

Also, according to AISLER's new shareholders agreement, which will be executed in the course of this transaction, the Company will have two call options for the further acquisition of AISLER shares currently held by Platzhalter, and, if certain conditions are fulfilled, under the first call option the Company will have the right to purchase 50% of the AISLER shares held by Platzhalter, while under the second call option the Company will have the right, at its sole discretion, to purchase either 50% or 100% of the AISLER shares held by Platzhalter. The closing of the transaction is expected in the second quarter of 2021.

AISLER operates in the area of fab-less electronics manufacturing services, pursuing electronics development by simplifying and speeding up electronics manufacturing services. AISLER offers electronics manufacturing services ranging from manufacturing bare prototyping circuit boards and stencils to fully-fledged assembly services for small and large batches.

Asset acquisition – KATEK Leipzig GmbH

On 23 December 2020, KATEK Leipzig GmbH, a wholly owned subsidiary of the Company, as purchaser, and the Company, as purchaser's guarantor, entered into an asset purchase agreement with Leesys – Leipzig Electronic Systems GmbH ("**Leesys**"), as seller, and Rüdiger Wienberg, as Leesys insolvency administrator, for the acquisition of the assets of the insolvent group of companies affiliated with Leesys. Leesys was an electronic equipment manufacturer that filed for insolvency in self-administration due to the collapse in sales to two major customers in the pandemic crisis year 2020.

Under the terms of the agreement, the Company has taken over:

- the former Leesys electronics site in Leipzig, Germany with 249 employees, as well as all obligations arising from ongoing business operations with customers and suppliers;

- a Leesys site in Lithuania; and

- the TeleAlarm group formed by Leesys subsidiaries with locations in Switzerland, the Netherlands and Germany; this group specialised in the field of hardware and software solutions that help the elderly and people with physical disabilities to lead a self-determined life in familiar surroundings.

The net asset purchase price amounted to EUR 5.6 million in addition to an earn-out amount equal to a tax refund claim payable to Leesys.

The transaction closed on 1 February 2021 following the approval of the relevant competition authorities, broad employee approval of the transfer and the conclusion of an in-house collective bargaining agreement. The assets acquired under this agreement now form part of the Company's subsidiary, KATEK Leipzig GmbH.

This transaction has had a meaningful impact on the Company's results of operations, which cumulatively required the preparation of pro forma financial information. Nevertheless, due to various reasons, the Company is unable to prepare pro forma financial information concerning the purchased assets. The transaction was executed as an asset deal and the Company has no access to the seller's accounting systems or internal reporting systems.

In particular, for KATEK Leipzig, the selling party was in insolvency. Therefore, the Company is unable to prepare pro forma financial information concerning the purchased assets, even though such information may ordinarily be required given the significance of this transaction, and rather focuses on a description of the transaction.

Object of the transaction in a narrower sense were a defined set of fixed assets of the seller, namely land and building of the site in Leipzig, machine and technical equipment used in the electronic manufacturing, as well as shares in subsidiary entities TeleAlarm Europe GmbH and Leesys LT UAB, a service unit in Lithuania. The machines and technical equipment mainly consist of eight surface mount technology ("**SMT**") production lines at the Leipzig site. Under the further term of the agreement, KATEK Leipzig GmbH took over 249 employees in a transfer of business (*Betriebsübergang*) in order to operate the business. This happened only after a significant layoff of approximately one third of the former workforce by the insolvency administrator. The purchase price paid for the assets amounts to EUR 5,600 thousand plus the net sales price of the sold assets corresponding to the cost of work in process less payments received on account, as measured during a physical inventory count on the date of transfer. The purchase price was settled in cash in financial year 2021.

Description of the business

KATEK Leipzig GmbH took over the ongoing business with the existing customers and operates in a profitable structure. The company offers design and production of electronic devices and systems, testing and inspection devices, electronic and plastic parts from one source, and the assembly of devices and logistics services up to after sales services. KATEK Leipzig GmbH produces electronic parts and ready products for clients in, among others, the communications sector.

TeleAlarm Europe GmbH, a wholly owned subsidiary, with locations in Switzerland, the Netherlands and Germany, specialises in the field of hardware and software solutions that help the elderly and people with physical disabilities to lead a self-determined life in familiar surroundings.

Since the transaction was closed in February 2021, the assets purchased in the deal are not reflected in the Group's financial statements for the financial year 2020.

Description of potential synergies

With the acquisition of the business by KATEK Leipzig GmbH, KATEK sees the potential to increase its overall business in the following areas:

- KATEK gains advantages in the procurement of electronic parts as well as investment goods by the companies of the Group, e.g. by bundling groups of materials, bundling volumes with suppliers, improved support by suppliers, potentially cutting out intermediaries. In general, KATEK aims to reduce unit costs.

- KATEK gains advantage to employ the proven expertise of the development team in Leipzig with other tasks throughout the Group.

- KATEK aims to realise advantages in the sales function through a sales approach under a unified management and a single brand. These add to a higher visibility in the market and potentially better access to new customers and projects.

Besides the above, KATEK aims to realise further advantages in the medium term through a unified steering of capacities, benchmarking of relevant operating key performance indicators and an exchange of knowledge.

Asset acquisition – KATEK Düsseldorf GmbH

On 19 December 2019, the Company's subsidiaries, Youco M19-H-110 Vorrats-GmbH (the precursor to KATEK Düsseldorf GmbH), as purchaser, and KATEK Memmingen GmbH, as purchaser's guarantor, entered into a strategic partnership and asset purchase agreement with Huf Electronics Düsseldorf GmbH ("**Huf**"), as seller, and Huf Hülsbeck & Fürst GmbH & Co, KG, as seller's guarantor, for the acquisition of Huf's business segment encompassing SMT production lines in Düsseldorf, Germany.

Under the terms of the agreement, the Company took over 152 employees, and the service and administrative functions associated with the SMT production lines. Huf has continued to purchase printed circuit boards, control units and other preliminary products for door handle electronics, kick sensors and other locking and access systems from KATEK Düsseldorf.

The purchase price paid for the net assets amounted to EUR 1,098 thousand, and the parties agreed to keep other consideration paid under the agreement strictly confidential.

The transaction closed on 16 March 2020 following the approval of the relevant governmental authorities.

This transaction has had a meaningful impact on the Company's results of operations, which cumulatively required the preparation of pro forma financial information. Nevertheless, due to various reasons, the Company is unable to prepare pro forma financial information concerning the purchased assets. The transaction was executed as an asset deal and the Company has no access to the seller's accounting systems or internal reporting systems.

In particular, for KATEK Düsseldorf, the scope of the business differs significantly from the business of the seller, which was in a restructuring phase at the time of the transaction. Therefore, the Company is unable to prepare pro forma financial information concerning the purchased assets, even though such information may ordinarily be required given the significance of this transaction, and rather focuses on a description of the transaction.

Objects of the transaction in a narrower sense were a defined subset of fixed assets of the seller, namely machinery and technical equipment used in the electronic manufacturing. In particular, these consisted of 6 SMT production lines at the Dusseldorf site. Under the further terms of the agreement, KATEK Düsseldorf took over 152 employees in a transfer of business (*Betriebsübergang*) in order to operate the production lines and service and administrative functions associated with it, and entered in a long-term supply contract with the seller. The purchase price paid for the net assets amounted to EUR 1,098 thousand and was settled in cash in financial year 2020.

Description of the business

KATEK Düsseldorf GmbH produces electronic parts for applications of clients in the automotive sector. Among those are printed circuit boards, control units and other preliminary products for door handle electronics, kick sensors and other locking and access systems. With the acquisition transaction, KATEK has gained access to significant business with first-tier automotive suppliers, including without limitation the selling party. The products mentioned above are supplied to various automotive OEMs and are applied in a variety of vehicles independently of their drive train technology. Through this business, KATEK is in close contact with its customers and the automotive OEMs regarding new products and new technologies.

The purchased assets are included in the Group's financial statements for the financial year 2020. In particular, out of "Property, plant and equipment" for the Group amounting to EUR 68,269 thousand as of 31 December 2020, EUR 2,762 thousand (4%) are attributable to KATEK Düsseldorf GmbH. Out of revenues of the Group amounting to EUR 414,201 thousand in financial year 2020, EUR 44,426 thousand (11%) are attributable to KATEK Düsseldorf GmbH after the effective closing of the transaction, i.e. for nine and a half months of the financial year, beginning with 16 March 2020.

Description of potential synergies

With the acquisition of the business by KATEK Düsseldorf GmbH, KATEK sees the potential to increase its overall business in the following areas.

KATEK gains advantages in the procurement of electronic parts as well as investment goods by the companies of the Group, e.g. by bundling groups of materials, bundling volumes with suppliers, improved support by suppliers, potentially cutting out intermediaries. In general, KATEK aims to reduce unit costs.

KATEK aims to realise advantages in the sales function through a sales approach under a unified management and a single brand. These add to a higher visibility in the market and potentially better access to new customers and projects.

Besides the above, KATEK aims to realise further advantages in the medium-term through a unified steering of capacities, benchmarking of relevant operating key performance indicators and an exchange of knowledge.

Share acquisitions – bebro electronic GmbH, bebro electronic s.r.o., beflex electronic GmbH, and eSystems MTG GmbH

On 9 August 2019, the Company, as purchaser and PRIMEPULSE SE, as guarantor, entered into a share sale and transfer agreement with MAGENWIRTH Technologies GmbH, Bad Urach, Germany, as seller. Under the agreement, the Company acquired all shares of bebro electronic GmbH ("**bebro**") and eSystems MTG GmbH ("**eSystems**").

At the time of the purchase, the two acquired companies had 550 employees and earned a total output of nearly EUR 90 million. In addition to the traditional EMS business, bebro's subsidiary, beflex electronic GmbH, operating from locations in Frickenhausen and in Horní Suchá, Czech Republic through its local subsidiary, bebro electronic s.r.o., focussed on measurement technology, industry and medicine, producing prototypes and small series at three locations in Frickenhausen, Munich and Witten. eSystems develops solutions and systems in the field of electro-mobility, such as the intelligent charging of electric vehicles.

The parties agreed to keep the share purchase prices and other consideration under the agreement strictly confidential.

The transaction closed on 18 October 2019 following the approval of the relevant competition authorities.

11.12.2 Financing Contracts

EUR 30 million credit facility between the Company and Deutsche Bank AG

On 19 October 2020, the Company, as borrower, and Deutsche Bank AG, German business branch, as lender, entered into a revolving credit facility agreement in the amount of EUR 30 million. PRIMEPULSE SE has granted an umbrella warranty with respect to the full amount as security for this loan. The principal purpose of the loan was to finance the Company's working capital requirements. Amounts drawn down under this credit facility bear interest at a rate of the applicable Eonia (Euro

Overnight Index Average) monthly average (subject to a minimum of zero) plus 1.50% per annum, payable on a quarterly basis. A commitment fee of 0.45% per annum is also payable to the lender on a quarterly basis under the agreement. The credit facility does not have a fixed term. As of the date of this Prospectus, EUR 30 million remain drawn down under this credit facility.

EUR 17.5 million investment loan agreement between the Company and Bank für Tirol und Vorarlberg Aktiengesellschaft

On 4 February 2020, the Company, as borrower, and Bank für Tirol und Vorarlberg Aktiengesellschaft, Germany Branch, as lender, entered into an investment loan agreement in the amount of EUR 17.5 million. The purpose of the loan was to finance the acquisition of the bebro Group in part. The principal of the loan is to be repaid in 25 equal instalments of EUR 700 thousand, payable at the end of each calendar quarter, beginning on 31 December 2020 and tentatively ending on 31 December 2026. The loan bears interest at a rate of three-month Euribor (subject to a minimum of zero) plus 1.90% per annum, adjusted and payable on a quarterly basis. Market-standard administrative fees were incurred at the origination of the loan.

A pledge by the Company of all the shares it owns in bebro electronic GmbH and eSystems MTG GmbH has been posted as security for this loan. Under the terms of the agreement, the Company has also undertaken not to grant any additional security interests with respect to its property without granting a proportionate interest to the lender. The agreement contains dividend restrictions as well as a cross-default clause under which the lender can terminate the agreement if other financial obligations of Company or its material subsidiaries are not fulfilled or become prematurely due. The lender can also terminate the agreement under the applicable change of control clause if:

- PRIMEPULSE SE ceases to own at least 50% of the Company's shares or sells or transfers more than 50% of the Company's shares that it directly or indirectly holds; or
- the Company ceases to own at least 100% of the shares of bebro electronic GmbH or eSystems MTG GmbH, or sells or transfers any of those subsidiaries' shares that it directly or indirectly holds.

As of the date of this Prospectus, EUR 16.1 million remain outstanding under this loan agreement.

EUR 10 million investment loan agreement between the Company and Bank für Tirol und Vorarlberg Aktiengesellschaft

On 17 July 2019, the Company, as borrower, and Bank für Tirol und Vorarlberg Aktiengesellschaft, Germany Branch, as lender, entered into an investment loan agreement in the amount of EUR 10 million. The purpose of the loan was to refinance the acquisition of KATEK Mauerstetten GmbH in part. The principal of the loan is to be repaid in 25 equal instalments of EUR 400 thousand, payable at the end of each calendar quarter, beginning on 30 June 2020 and tentatively ending on 30 June 2026. The loan bears interest at a rate of three-month Euribor (subject to a minimum of zero) plus 1.90% per annum, adjusted and payable on a quarterly basis. Market-standard administrative fees were incurred at the origination of the loan.

A pledge by the Company of all the shares it owns in KATEK Mauerstetten GmbH has been posted as collateral securing this loan. Under the terms of the agreement, the Company has also undertaken not to grant any additional security interests with respect to its property without granting a proportionate interest to the lender. The agreement contains a cross-default clause under which the lender can terminate the agreement if other financial obligations of Company or its material subsidiaries are not fulfilled or become prematurely due. The lender can also terminate the agreement under the applicable change of control clause if:

- PRIMEPULSE SE ceases to own at least 50% of the Company's shares or sells or transfers more than 50% of the Company's shares that it directly or indirectly holds; or
- the Company ceases to own at least 100% of the shares of Katek GmbH, KATEK Memmingen GmbH or KATEK Mauerstetten GmbH, or sells or transfers any of those subsidiaries' shares that it directly or indirectly holds.

As of the date of this Prospectus, EUR 8.4 million remain outstanding under this loan agreement.

EUR 11.5 million investment loan agreement between Katek GmbH and Bank für Tirol und Vorarlberg Aktiengesellschaft

On 9 August 2018, the Company's subsidiary, Katek GmbH, as borrower, and Bank für Tirol und Vorarlberg Aktiengesellschaft, Germany Branch, as lender, entered into an investment loan agreement in the amount of EUR 11.5 million. The borrowed funds are to be used for general operating purposes. The principal of the loan is to be repaid in 27 equal instalments of EUR 410.72 thousand, payable at the end of each calendar quarter, beginning on 31 March 2019 and ending on 30 September 2025, plus a final instalment in the amount of EUR 410.56 thousand due on 31 December 2025. The loan bears interest at a rate of three-month Euribor (subject to a minimum of zero) plus 1.75% per annum, adjusted and payable on a quarterly basis. Market-standard administrative fees were incurred at the origination of the loan.

A pledge by Katek GmbH of inventories and equipment and a general assignment of receivables have been posted as collateral securing this loan, with respect to which insurance claims have also been suspended. Under the terms of the agreement, Katek GmbH has covenanted to meet certain financial measures for several years. The agreement also contains dividend restrictions that apply until 31 December 2021.

As of the date of this Prospectus, EUR 7.8 million remain outstanding under this loan agreement.

EUR 10 million credit facility and money market loan framework agreement between KATEK Memmingen GmbH and Bank für Tirol und Vorarlberg Aktiengesellschaft

On 11 September 2017, Steca Elektronik GmbH, the predecessor to the Company's subsidiary, KATEK Memmingen GmbH, as borrower, PRIMEPULSE SE, as guarantor, and Bank für Tirol und Vorarlberg Aktiengesellschaft, Germany Branch, as lender, entered into a credit facility and money market loan framework agreement in the amount of EUR 10 million. The borrowed funds are to be used for general operating purposes. The principal of any drawn down loans is to be repaid as agreed at the time of drawdown. The loan bears interest at a rate of 3% if utilised in the form of a credit facility and three-month Euribor (subject to a minimum of zero) plus 1.10% per annum if utilised as a money market loan, adjusted and payable on a quarterly basis. Market-standard administrative fees were incurred at the origination of the loan.

A pledge by the borrower of inventories and a general assignment of receivables have been posted as collateral securing this loan, with respect to which insurance claims have also been suspended. PRIMEPULSE SE also provided a guarantee of up to EUR 10 million, which can be dispensed with once the borrower meets the certain financial measures for several years in a row. Under the terms of the agreement, the borrower has covenanted to maintain certain financial measures as well.

As of the date of this Prospectus, EUR 10 million borrowed in the form of a money market loan remain outstanding under this agreement.

11.13 Information Technology Infrastructure and Data Protection

Early on in its history, the KATEK Group recognised the great importance of information technology, not only for production-related processes and administrative tasks but also as an enabler for a culture of innovation. Because of this, numerous technical and organisational measures have been implemented to ensure efficient, scalable and reliable operations.

An inherent pillar of KATEK’s information technology strategy is the combination of self-sufficient information networks at the various sites with group-wide services provided by cloud service providers. Through the usage of resilient system architectures and enterprise components the reliability of all services is kept at a very high level. Additionally, KATEK takes great care to counter threats related to cybercrime and other risks of data integrity and confidentiality. These include, amongst others, awareness campaigns, the usage of multi-factor-authentication, a comprehensive system monitoring, the usage of fault-tolerant hardware configurations as well as high frequency update cycles for software components and the usage of state-of-the-art anti-virus solutions. A thoughtful network design makes sure that potential effects of attacks are minimised as much as possible.

Internal security specialists, together with external experts, help KATEK to review and improve its security posture by periodic checks and group-wide improvement programmes. Local emergency concepts and disaster recovery plans are accompanied by the ability to relocate services to data centres in other sites, if necessary.

The success of the aforementioned concepts and measures can be demonstrated, among other things, by the fact that there have been no negative availability events or data losses in the recent past, i.e., particularly in the last 12 months. At the same time, the KATEK Group is continuously working to improve the level of information security through self-critical reflection, structured measures, the promotion of internal know-how transfer and cooperation with partners.

11.14 Compliance

As a company and a group, KATEK is committed to conducting its business in compliance with all applicable laws, rules, and regulations and the highest standards of ethical conduct. Therefore, it has developed and implemented a comprehensive compliance programme that has been designed to fit the unique environment of the Group. The Management Board and the Supervisory Board promote compliance as a central element of the Group's culture, with its management actively involved in the compliance process and conveying the importance of the compliance programme to employees.

KATEK’s compliance organisation is rooted on many different levels, headed by the Group Compliance Officer, a permanent figure who reports to the Management Board and the Supervisory Board. The Company ensures that the Group Compliance Officer is able to exercise independent judgment and, if necessary, effectuate change within the Group. The compliance organisation is supported by several internal compliance representatives who assist with adapting internal control systems and reviewing the compliance system’s efficiency (the “**Compliance Board**”).

The Group has designed its compliance programme to:

- prevent, detect and remediate violations of applicable laws, rules, and regulations, as well as KATEK’s policies and procedures; and
- promote a culture of the highest ethics within the Group.

KATEK has established written policies and procedures, including a Code of Conduct, an Anti-Corruption Policy, a Gifts and Hospitality Directive, which articulate fundamental principles and values and together provide a framework for ethical conduct within the Group. A crucial part of KATEK's compliance system also comprises the education and training of employees on their respective legal and ethical obligations. In this context, KATEK provides corresponding e-learning for all employees.

In addition, KATEK has implemented monitoring and control activities designed to ensure that the Group's compliance standards and requirements are fulfilled in day-to-day operations. In addition, and at the same time, KATEK also regularly conducts risk analysis programmes to refresh its risk assessments, strengthen awareness, and identify areas where it can improve its compliance mechanisms.

11.15 Sustainability

As a sign of commitment to sustainability, KATEK voluntarily adheres to principles of the “*United Nations Global Compact*” initiative, which the United Nations have been promoted with the goal of strengthening commitment and support regarding the ten principles of human and labour rights, environmental protection and the fight against corruption. KATEK is a signatory of the compact and aims to support all relevant sustainable development goals (**"SDGs**"). Amongst the various SDGs, there are four SDGs on which KATEK believes to have the highest impact. These are: SDG 7 (affordable and clean energy), SDG 8 (decent work and sustainable economic growth), SDG 9 (industry, innovation and infrastructure), and SDG 13 (climate protection). Katek has a positive effect on those SDGs due to its products and solutions, responsible business activity and commitment to society (corporate social responsibility). KATEK aims to enhance its sustainability performance continuously and to support the transformation of its industry towards a more sustainable future.

12. REGULATORY ENVIRONMENT

KATEK's products and business operations are subject to a variety of laws, rules and regulations in the jurisdictions in which the Group operates. The Group's business activities in Germany are subject to a wide array of regulatory requirements under German and EU laws, and international treaties.

If the Group fails to comply with any applicable laws, rules or regulations, it may be subject to civil liability, administrative orders, fines or even criminal sanctions. As the regulatory framework applicable to KATEK's business operations is subject to revision and continuous development, it is difficult to predict the future cost of compliance with applicable regulatory requirements and technical standards accurately. Additional or more stringent laws, rules, regulations and technical standards could increase costs or limit KATEK's ability to continue business operations in the same manner as it has done in the past.

The following provides only a brief overview of certain selected areas of regulation applicable to the Group's business operations in the European Union, and in particular in Germany.

12.1 Regulation of Production Facilities and Storage Sites

12.1.1 Regulation of Hazardous Incidents

Operators of facilities storing hazardous goods in larger quantities are required to comply with safety standards set forth in Council Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances (***Seveso III Directive***) and the respective national implementing laws. As the former Directive 96/82/EC (***Seveso II Directive***) before it, the provisions of the Seveso III Directive are designed to prevent major accidents involving dangerous substances, such as emissions, fires and larger explosions, and to limit detrimental consequences in the event of an accident. The degree of additional safety requirements depends on the amounts of various categories of hazardous substances stored in the relevant facility. The Seveso III Directive aims to increase the rights for EU citizens to access information and justice, as well the public participation in decision-making.

In Germany, the Seveso III Directive was implemented on 7 December 2016, with the Seveso III transposition law (*Seveso-III Umsetzungsgesetz*). Legislation includes, inter alia, the amendment of certain provisions of the German Federal Emission Control Act, the Environmental Impact Assessment Act (*Umweltvertäglichkeitsprüfungsgesetz*) and the Environmental Legal Remedies Act (*Umweltrechtsbehelfgesetz*). Further legislative changes came into force on 14 January 2017 with the amendment of the twelfth ordinance under the German Federal Emissions Control Act (German Hazardous Incidents Ordinance, *Störfall-Verordnung*).

12.1.2 Production, Possession and Handling of Waste

Directive 2008/98/EC on waste (***Waste Framework Directive***) governs the collection, transportation, recovery and disposal of waste. The Waste Framework Directive requires EU Member States to take appropriate measures for the prevention of waste and to ensure that waste is recovered or disposed of without endangering human health or causing harm to the environment. Member States must adopt appropriate permitting, registration and inspection requirements.

The Group is subject to statutory provisions regarding waste management. These provisions may govern permissible methods of, and responsibility for, the generation, handling, possession, discharge and recycling of waste depending on the dangers posed by the waste, among other factors. In particular, the discharge of waste is often restricted to licensed facilities. Under the German Act on Recycling (*Kreislaufwirtschaftsgesetz*), generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste (*gefährliche Abfälle*) by proof of waste disposal (*Entsorgungsnachweis*). Documentation requirements include certain details regarding the handling, type, amount and origin of hazardous waste. In many European jurisdictions, plants must use licensed contractors for the disposal of hazardous or non-hazardous waste.

The Company believes that it is in compliance with the waste management laws. In particular, it cooperates with several service providers in waste management matters.

12.1.3 Environmental Damage Regulation

The Group is subject to Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage, as implemented into member state law. The German Environmental Damage Act (*Umweltschadensgesetz*) creates an obligation to prevent damage to the environment and to remedy such damage regardless of fault. The Group's obligations thereunder reach beyond the rules of German civil liability for ground water and soil contamination and cover environmental losses that may not be eligible for compensation under other laws. The obligations and liabilities under the German Environmental Damage Act constitute public law obligations to avoid or remedy environmental damage. In addition, non-governmental environmental organisations may institute legal proceedings in the event the relevant authority has failed to take the necessary steps for enforcement.

12.1.4 German Act on Environmental Liability

If damage is caused to persons or property by one of its facilities, the Group may also be held strictly liable under the German Act on Environmental Liability (*Umwelthaftungsgesetz*). Liability under this statute may arise for damages caused by substances or gases that spread through soil, air or water. Under the statute, there is a presumption that any damage has been caused by a facility if the facility is generally capable of causing the damage in question. Should one of KATEK's production sites fall under the German Hazardous Incidents Ordinance in the future, the Group might be required to provide financial security (*Deckungsvorsorge*) for environmental damage on the site.

12.1.5 Health and Safety

The Group is required to comply with applicable laws and regulations to protect employees from dangers arising at work and against occupational injuries in all jurisdictions in which it operates. Under such laws and regulations, employers typically must establish work conditions and procedures in a manner that effectively prevents danger to employees. Such rules and regulations comprise rules on technical protection as well as rules on social protection. In particular, employers must observe certain medical and hygienic standards, and comply with certain occupational health and safety requirements, such as permissible maximum levels for noise at work, the use of personal safety equipment and requirements related to the handling of hazardous, e.g., carcinogenic, substances.

12.1.6 German Occupational Health and Safety Requirements

German law establishes a system of rules and regulations to protect employees' health and safety at work. German occupational safety regulation is largely shaped by the requirements of EU law, including Regulation (EU) 2016/425 of the European Parliament and of the Council of 9 March 2016 on personal protective equipment and repealing Council Directive 89/686/EEC, and is in particular also contained in the German Act on the Implementation of Measures of Occupational Safety and Health to Encourage Improvements in the Safety and Health Protection of Workers at Work (*Arbeitsschutzgesetz, ArbSchG*) and in the German Act on Occupational Physicians, Safety Engineers and Other Occupational Safety Specialists (*Arbeitssicherheitsgesetz, ASiG*), which require employers to provide for their employees' safety. The ArbSchG sets out the fundamental duties of employers and employees regarding health protection. It places employers under an obligation to assess the hazards of the workplace and to take the appropriate preventive measures, as well as to instruct employees in relation to these measures. Employers must make precautions for especially hazardous workplaces and situations. They must also provide preventive occupational healthcare. The AsiG contains employers' obligation to appoint and train appropriately qualified officers to support them in occupational health and safety matters, including ergonomic workplace design. These experts are obliged to advise employers in the entire range of health and safety factors in the working environment. This begins with the planning of operating facilities and the purchasing of equipment and extends to advising employers in the assessment of working conditions. The aforementioned general obligations are substantiated in several regulations which are further detailed in technical guidelines. Germany's occupational safety regulatory regime also includes the German Work Equipment Regulation (*Betriebssicherheitsverordnung, BetrSichV*), which includes rules that work equipment must not endanger the health and safety of employees, the German Workplaces Regulation (*Arbeitsstättenverordnung, ArbStättV*), which specifies how factories, workshops, offices, warehouses and shops must be equipped, and a number of technical guidelines enacted under these regulations.

The Group is also subject to the Regulation on Hazardous Substances (*Gefahrstoffverordnung* ***GefStoffV***), which contains, *inter alia*, provisions regarding the handling and storage of hazardous substances. It particularly sets forth provisions for the protection of employees who deal with hazardous substances. For instance, it places employers under the obligation to assess the dangers resulting from hazardous substances, to implement preventive measures and to instruct employees about these measures. Moreover, it requires compliance with additional notification obligations vis-à-vis the competent authority and in accordance with applicable safety requirements. The provisions state the priority of technical and organisational measures over personal safety equipment, a principle which has been further enhanced by the recent revision of the Regulation on Hazardous Substances. Ongoing changes, inter alia, in the state of the art regarding the handling and storage of hazardous substances might cause the Group to incur costs, e.g., for changing operational sequences. Compliance with employment safety regulations is subject to regulatory supervision. The law enforcement authorities are provided with wide-ranging enforcement powers including the right to enter a Company's premises, to search for documents and to examine the work equipment and the personal health equipment. They are also authorised to impose fines. The Company believes that it is in compliance with applicable occupational health and safety laws.

12.2 Commercialisation of Medical Devices

12.2.1 The European Economic Area

Regulation of Medical Devices

In Europe, medical products produced by members of the Group and its customers are mainly placed on the market of member states of the EEA, where they are classified as medical devices. Medical devices are assigned to regulatory classes or categories based on their intended purpose and inherent risk which determine the level of control deemed necessary to assure their safety and effectiveness. Imaging medical devices are assigned to: class I (low risk); class Iia or Iib (medium risk); or class III (high risk). In vitro diagnostic medical devices are assigned to the categories: other/general device; device for self-testing that does not fall into a high risk category; devices which, amongst others, includes reagents and products for rubella, toxoplasmosis and phenylketonuria as well as devices for self-testing for blood sugar; and device which includes reagents and products for human immunodeficiency virus I and II, hepatitis B, C and D. Under the new EU in vitro diagnostic medical devices regulation, such devices will be divided into four classes A, B, C and D (with increasing risk levels), taking into account the intended purpose of the devices and their inherent risks, whereby class A will be low risk, class D will be high risk, class C will be medium risk and Class B will serve as default class.

The regulatory framework concerning the commercialisation of medical products is largely harmonised by EU Directives (as implemented into the respective national laws and regulations of the EU Member States), namely the Council Directive 93/42/EEC concerning medical devices and the Directive 98/79/EC of the European Parliament and of the Council on in vitro diagnostic medical devices.

These laws and regulations aim at protecting the health and safety of patients and users of medical devices and govern, among other things, the following product-related activities in which KATEK and its customer manufacturers, contract testing laboratories and suppliers are involved including development, testing, manufacturing, labelling, safety, storage, market access, advertising and promotion, import and export, sales and distribution, performance/effectiveness, monitoring, maintenance and refurbishment.

In order to commercialise medical products, they are required to comply with the essential requirements of the relevant Medical Devices Directive. Compliance with these requirements entitles a manufacturer to affix the CE conformity marking to its medical devices, without which they cannot be commercialised in the European Economic Area. The European standard setting bodies, mainly the European Committee for Standardisation (CEN / CENELEC), have adopted numerous harmonised standards covering a wide range of devices or specific devices or device categories. Compliance with the relevant harmonised standards applicable to a given medical device provides a presumption of conformity with the essential requirements. The European Commission has adopted various guidelines, consensus statements and interpretative documents aimed at ensuring the uniform application of the provisions of the Medical Devices Directives. In order to demonstrate compliance with the essential requirements and obtain the right to affix the CE conformity marking, a manufacturer must undergo a conformity assessment procedure, which varies according to the type of medical device and its classification. Except for low-risk medical devices, where the manufacturer can issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential requirements of the Medical Devices Directives, a conformity assessment procedure requires the intervention of an independent and neutral institution appointed by a Member State of the EEA (a "**Notified Body**") to conduct a conformity assessment. Typically, a Notified Body, during the course of reviewing a product application (design dossier) and depending on the classification of the product, confirms that the quality system certifications are being upheld through ongoing assessments which are conducted separately and must be in evidence to complete the conformity assessment. Based on the same quality system certifications, and depending on the risk class of the medical / in vitro diagnostic device, additional certificates under European law (EC Certificate) are issued as a prerequisite to draw up an EC Declaration of Conformity which allows a manufacturer to affix the CE marking to the relevant products.

The lawful affixing of the CE marking authorises KATEK to commercialise its products anywhere within the EEA and in certain non-EEA countries that recognise the CE mark. Additional national requirements of the respective Member States may also apply (e.g., in France).

Failure to comply with the applicable laws and regulations could result in, among other things, delays in obtaining market access, product recalls, product seizures, interruptions of production, operating restrictions, suspension or withdrawal of product market access, injunctions, and civil or criminal sanctions.

On April 5, 2017, two new EU Regulations on medical devices were adopted. They entered into force on May, 25 2017 and replace the existing medical device directives as follows:

- three years after entry into force (spring 2020), Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices, amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No. 1223/2009 and repealing Council Directives 90/385/EEC and 93/42/EEC; and

- five years after entry into force (spring 2022), Regulation (EU) 2017/746 of the European Parliament and of the Council of April 5, 2017 on in vitro diagnostic medical devices and repealing Directive 98/79/EC and Commission Decision 2010/227/EU.

The new regulations apply directly in all EU Member States with the intention to provide more legal certainty for market stakeholders as compared to EU Member States having to transpose EU directives into national law.

The new regulations apply to certain of KATEK's current (subject to applicable grace periods) and future products. They stipulate additional requirements, including:

- Re-assessment of products regarding their intended purpose and risk class, leading for certain product types to up-classification and, consequently, increased involvement of Notified Bodies.

- Extension of retention period to ten years for related documents.

- Technical Documentation to contain more detailed information and requirements to provide information in the languages of the EU Member States targeted for sales will be widened.

- Additional regulatory responsibilities will be extended to importers, distributors and persons responsible for regulatory compliance.

- A system for product registrations, the Unique Device Identification, and for the identification of the persons with regulatory responsibilities will be established.

- Content on labelling artefacts and promotional materials needs to be expanded, e.g., intended purpose in Instructions for Use (IFU).

- Combinations of products must be identified and marked as such.

- Post Market Surveillance Plans (as part of the products' technical documentation) need to be established for the entire life cycle of a product.

- In addition, Post Market Surveillance Reports and Periodic Safety Update Reports are to be implemented. A system of trend codes must be put in place. A 15 day reporting timeline for serious incidents (formerly 30 days) needs to be followed.

- Broadened requirements on clinical/performance evaluation.

To safeguard continued access to the European markets and markets that depend on CE marking, compliance needs be established with the new Regulations. KATEK regularly analyses regulatory changes in this field, their impact and required measures and efficient transition models to ensure compliance with the new regulations. It also coordinates planning and monitoring activities around the operational implementation in the product-owning units and countries.

As the new Regulations will provide grace periods for existing products that are already under the control of a Notified Body, KATEK decided to apply a rolling transition approach to the majority of these products. This means an existing product can remain under the current certificate as long as it does not undergo significant changes to its design or to its intended purpose. Products fulfilling these criteria nevertheless need to be transitioned prior to the expiration of their certificates in May 2024 or alternatively be phased out.

Regulations on Advertising and Promotion

The advertising and promotion of medical devices is subject to additional EEA Directives concerning misleading and comparative advertising and unfair commercial practices, as well as other EEA member state legislation governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of certain of KATEK's products to the general public and may impose limitations on promotional activities with healthcare professionals.

Reimbursement

The rules for reimbursement of KATEK's products by health insurance schemes are not harmonised within the EU but vary greatly from country to country.

12.2.2 Germany

Regulation of Medical Devices

The German Medical Devices Act (*Medizinproduktegesetz*) transposes the EU Medical Devices Directives into German law. Thus, the prerequisites for the lawful commercialisation of medical devices are primarily regulated by the Medical Devices Act (and the ordinances passed thereunder (*Rechtsverordnungen*)), including but not limited to:

- Ordinance on Medical Devices (*Verordnung über Medizinprodukte*);

- Ordinance on the Provision of Medical Devices (*Verordnung zur Regelung der Abgabe von Medizinprodukten*);

- Ordinance on Clinical Trials with Medical Devices (*Verordnung über klinische Prüfungen von Medizinprodukten*);

- Ordinance on the Installation, Operation and Use of Medical Devices (*Verordnung über das Errichten, Betreiben und Anwenden von Medizinprodukten*);

- Ordinance on the Identifying, Analysing and Counteractive Measures (*Verordnung über die Erfassung, Bewertung und Abwehr von Risiken bei Medizinprodukten*);

- Ordinance on the Database-Supported Information System of the German Institute for Medical Documentation and Information for Medical Devices (*Verordnung über das datenbankgestützte Informationssystem über Medizinprodukte des deutschen Instituts für medizinische Dokumentation und Information*); and

- Ordinance on the Fees linked to the Medical Devices Act and the Ordinances passed thereunder (*Gebührenverordnung zum Medizinproduktegesetz und den zu seiner Ausführung ergangenen Rechtsverordnungen*).

Both the German Medical Devices Act, and the ordinances, however, refer back to the respective Medical Devices Directive in many parts.

Finally, the European guidelines for the medical devices vigilance system (MEDDEV-Guidelines), which have been adopted by the European Commission and drafted through a process of consultation with various interested parties, are of high practical relevance.

The German Medical Devices Act requires that evidence of the suitability of general medical devices for the specified intended purpose shall be provided through a clinical evaluation ("**Clinical Evaluation**") based on existing clinical data, unless, in exceptional cases with good reason, other data are sufficient. Class III devices require that clinical investigations ("**Clinical Investigation**") are performed to generate new clinical data unless it is duly justified to rely on existing clinical data. The objectives of clinical investigations are to verify that, under normal conditions of use, the performance of the devices conforms to that intended by the manufacturer and to determine any undesirable side-effects, and assess whether they constitute risks that when weighed against the clinical benefits of the device are unacceptable. Clinical Investigations require a favourable opinion by the ethics committee as well as an authorisation by the competent federal authority, the Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte*). The German Medical Devices Act also contains numerous preconditions to perform clinical investigations on human beings. In particular, the patient's informed consent must be obtained personally and in writing.

Typically KATEK's medical devices are assessed in the process of a Clinical Evaluation that is based on existing clinical data and do not require that additional clinical investigations be performed to generate new clinical data. This, however, is likely to change to a considerable extent once the new relevant EU Regulations are to be applied by legal manufacturers.

In vitro diagnostic medical devices are subject to a performance measurement test which is based on data from scientific literature which concerns the intended purpose of use of the devices and the technology applied, as well as a written report critically assessing such data or the results of all performance measurement tests or other suitable tests. This is likely to become more comprehensive under the new relevant regulation due to the significant increase of mandatory involvement of Notified Bodies.

Fraud and Abuse

The German Criminal Code, the German Social Security Code and the state rules for professional conduct of physicians prohibit promising, granting, receiving or offering any payment or other advantage for the recommendations of physicians as well as the prescription or supply of medical aids or devices. Any circumvention of the regulations is prohibited as well.

The potential legal consequences of an infringement of these regulations are manifold: the person acting can be subject to criminal liability (imprisonment or fines), the agreement itself can be nullified, the physicians may face professional sanctions, and a hospital may be excluded from the hospital plan. In addition, violations can also be deemed to constitute an infringement of the German Unfair Competition Act, which prohibits unfair business practices. The violation of the Unfair Competition Act, in turn, may inter alia result in injunctive relief and liability for damages. Furthermore, the offering or receipt of payments or other incentives may be subject to criminal sanctions.

Regulations on the Advertising and Promotion

In Germany, the advertising and promotion of medical devices is primarily regulated by the Medical Product Advertisement Act (*Heilmittelwerbegesetz*), which includes numerous prohibitions and restrictions. Among other things, it prohibits misleading advertising of medical devices and restricts the offer and granting of gifts or other advantages in connection with promotional activities. The Medical Product Advertisement Act contains further restrictions for advertisements addressing persons other than healthcare professionals. Infringements of the Medical Product Advertisement Act may be punished as an administrative offense; violations of the prohibition of misleading advertisement may even result in one year of imprisonment. Further, infringements may constitute an infringement of the Unfair Competition Act. This may result in injunctive relief and liability for damages.

Reimbursement

In Germany, the conditions for reimbursement differ according to whether the patient is insured through the statutory health insurance funds (as is the case with about 85-90% of the German population) or is privately insured.

12.2.3 Fraud and Abuse

KATEK entities that produce medical devices are also subject to healthcare fraud and abuse regulation and enforcement by the countries in which they conduct their business. These healthcare laws and regulations vary significantly from country to country and include, inter alia, anti kick-back statutes and regulations on the advertising and promotions of medical devices. Some countries have enacted transparency (“sunshine”) reporting laws and regulations, in particular concerning interactions with healthcare professionals.

If the operations of any of KATEK's affiliates are found to be in violation of any of these healthcare laws or regulations, it may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from reimbursement programmes, and the curtailment or restructuring of its operations.

Any penalties, damages, fines, exclusions, curtailment or restructuring of operations could adversely affect KATEK's ability to operate its business and its financial results and prospects. The risk of being found in violation of these laws and regulations is increased by the fact that many of these laws and regulations are broad and their provisions are open to a variety of interpretations. Any action against KATEK for violation of these laws or regulations, even if it successfully defends against it, could cause it to incur significant legal expenses and divert its management’s attention from the operation of its business.

12.3 Dual-use Export Control Regime

12.3.1 Overview

Dual-use export controls affect the research and development, production and trade of typically high-tech, advanced products across a wide range of industries, including energy, aerospace, defence and security, telecommunications and information security, life sciences, chemical and pharmaceutical industries, material-processing equipment, electronics, semiconductor and computing, lasers and navigation. The trade in dual-use items – i.e. items including software and technology that can be used for both civilian and military purposes and goods which can be used for both non-explosive uses and assisting in any way in the manufacture of nuclear weapons or other nuclear explosive devices – is subject to controls to prevent the risks that these items may pose for international security. The controls derive from international obligations (in particular UN Security Council Resolution 1540, the Chemical Weapons Convention and the Biological Weapons Convention) and are in line with commitments agreed upon in multilateral export control regimes.

12.3.2 EU Dual-use Export Control Regime

The EU export control regime is governed by Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items, as amended by Regulation (EU) 2019/496, which provides for common EU control rules, a common EU control list of dual-use items and harmonised policies for implementation. Under the EU regime, the export of dual-use items is subject to control and dual-use items may generally not leave the EU customs territory without an export authorisation. The Dual-Use Regulation is binding and directly applicable throughout the EU. EU Member States nevertheless need to take certain measures for implementing of some of its provisions, including in relation to breaches and applicable penalties. The existence of a common control system generally allows for the free movement of dual-use items within the EU Single Market; thus, dual-use items may generally be traded freely within the EU, except for some particularly sensitive dual-use items set out in Annex IV of the Dual-Use Regulation, whose intra-community transfer within the EU is subject to prior authorisation. For the export of dual-use items listed in Annex I of the Dual-Use Regulation an export authorisation is required. There is also an authorisation requirement for other dual-use items not listed in Annex I of the Dual-Use Regulation, if the items in question are or may be intended for use in connection with the development, production, handling, operation, maintenance, storage, detection, identification or dissemination of chemical, biological or nuclear weapons or other nuclear explosive devices, or the development, production, maintenance or storage of missiles capable of delivering such weapons.

12.3.3 German Dual-Use Export Control Regime

In Germany, besides the Dual-Use Regulation, export control of dual-use items is governed by the Foreign Trade and Payments Regulation and the Foreign Trade and Payments Act, among other provisions. Export authorisations are generally granted by the Federal Office of Economics and Export Control.

13. MAJOR SHAREHOLDERS

13.1 Current Shareholders

The following table sets forth, to the Company's knowledge, the persons directly having an interest in the Company’s capital and voting rights, before and after to the Offering (assuming full allotment of the New Shares) and after the full exercise of the Over-Allotment Option:

Shareholder	Shares	% (rounded)	Shares after full allotment of the New Shares	% (rounded)	Shares after full allotment of the New Shares and full exercise of the Greenshoe Option	% (rounded)
PRIMEPULSE SE (Munich, Germany)	7,959,600	81.15	7,959,600	60.11	7,830,860	59.14
grosso tec AG (Landshut, Germany)	964,800	9.84	964,800	7.29	578,578	4.37
Rainer Koppitz	402,000	4.10	402,000	3.04	402,000	3.04
Others (further shareholders with a participation of less than 3% each)	482,400	4.91	3,915,480	29.56	4,430,442	33.46
Total number of shares	**9,808,800**	**100.00**	**13.241.880**	**100.00**	**13.241.880**	**100.00**

None of the Company's shareholders have different voting rights.

13.2 Controlling Interest

To the Company´s knowledge, as of the date of the Prospectus PRIMEPULSE SE (Munich, Germany) is the controlling shareholder of the Company, holding 81.15% of both the share capital and the voting rights.

As a result, PRIMEPULSE SE owns a sufficient number of voting rights to pass resolutions at the general shareholders’ meeting *(Hauptversammlung)* of the Company and therefore exercise control over the Company. In particular, control can be exercised by passing or preventing the passing of resolutions at general shareholders’ meetings *(Hauptversammlung)* by exercising voting rights. There is no fundamental mechanism available by which voting rights at general shareholders’ meetings *(Hauptversammlung)* can be restricted.

Assuming a placement of all Offered Shares, PRIMEPULSE SE will continue to directly hold 7,830,860 Shares, i.e., 59.14% of the Company's share capital and voting rights, and, therefore, will continue to directly control the Company.

The Company believes that the provisions of German company law and applicable securities laws, are sufficient to prevent abuse of power. No special measures were undertaken by the Company in this regard.

13.3 Future Change in Control

As of the date of the Prospectus, the Company is not aware of any arrangements that may in the future result in a change in control of the Company.

14. GENERAL INFORMATION ON THE COMPANY AND KATEK

14.1 Commercial Name, Registered Office, LEI

The Company is a European stock corporation (*societas Europaea*) incorporated under the laws of Germany having its registered office and its headquarters in Munich, Germany. The legal name of the Company is KATEK SE. It is registered in the Commercial Register under registration number HRB 245284.

The Company is the parent company of KATEK. The Company and KATEK operate especially under the commercial names “KATEK" and "Katek".

The Company’s registered business address is Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280, website: https://katek-group.de/). Information contained on the Company’s website is not incorporated by reference in this Prospectus and is not part of this Prospectus.

The applicable law for the Company is the law of the Federal Republic of Germany, in particular, the German law enacting Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE) of 8 October 2001 ("**SE Regulation**"), the Act to Introduce the European Company of 22 December 2004 (*Gesetz zur Einführung der Europäischen Gesellschaft*) ("**SEEG**") and the Act to Implement Regulation (EC) No 2157/2001 on the Statute for a European company (SE) of 8 October 2001 (*Gesetz zur Ausführung der Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE)*) ("**SEAG**").

The Legal Entity Identifier (LEI) of the Company is 5299000GH0E40P6I9F13.

14.2 Financial Year and Duration

The Company’s financial year is the calendar year. The Company was established for an unlimited period of time.

14.3 Corporate Purpose

Pursuant to Section 2 paragraph 1 of its Articles of Association, the purpose of the Company is acquiring, holding, administration, management and disposal of (i) companies and equity interests in other companies in Germany and abroad primarily engaged in the development, design, manufacture and sale of electronic components and systems or parts or assemblies of such electronic components and systems or offering similar products and services in the field of electronics; and (ii) economically exploitable rights.

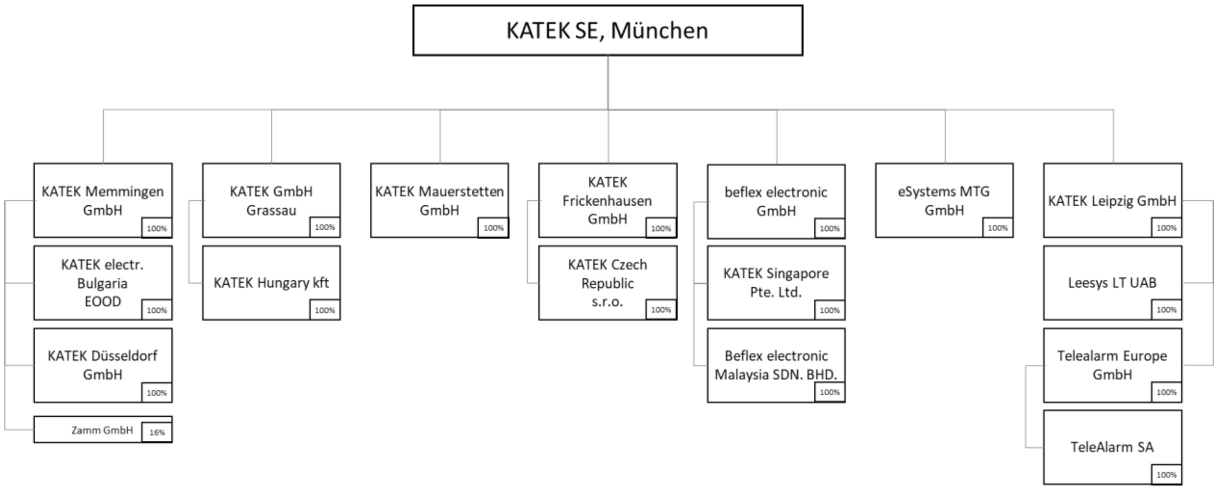
The Company may also limit itself to holding and managing interests in companies that engage in only one of the aforementioned activities.

The Company may establish, acquire or participate in other enterprises and/or companies, in particular those whose business activities are wholly or partly related to the business areas mentioned in above, in Germany or abroad, and may also sell or liquidate them. The corporate purpose of the Company also includes the investment of funds in participations in companies or enterprises of all kinds. The Company may also establish and close branches, also with the company name only as a company suffix. The Company may also acquire and sell developed and undeveloped real estate and rights equivalent to real estate.

Furthermore, is the Company entitled to perform all activities of a management holding company for affiliated companies, including the coordination and management of the dependent companies. The Company is authorised to provide all types of services to these companies, in particular also business and management services, including cash management. The Company may also combine companies under its uniform management. The Company may also carry out the operational activities in the areas mentioned above or entirely on its own and may also outsource the operational activities partly or entirely to companies and partnerships in which it holds an interest and limit its own activities to the assumption of holding functions. The Company may conduct any business and engage in any activity that directly or indirectly serves or furthers the purpose of the Company.

14.4 Group Structure and Subsidiaries

The Company is the parent company of KATEK. It mainly has the function of a holding company and is primarily responsible for the financing and the administrative tasks for the entire Group. The operating business activities of KATEK are conducted by the Company's principal operating subsidiaries which are described below.



The Company holds a 100% ownership interest and voting power in each of the below subsidiaries:

- KATEK Leipzig GmbH, Leipzig, Germany (which, in turn, holds 100% ownership interest and voting power in Leesys LT UAB, Lithuania, TeleAlarm Europe GmbH and TeleAlarm SA)
- KATEK Memmingen GmbH, Memmingen, Germany (which, in turn, holds 100% ownership interest and voting power in KATEK Düsseldorf GmbH, Düsseldorf, Germany and KATEK electronic Bulgaria EOOD, Saedinenie, Bulgaria)
- Katek GmbH, Grassau, Germany (which, in turn holds 100% ownership interest and voting power in Katek Hungary kft., Györ, Hungary)
- KATEK Mauerstetten GmbH, Mauerstetten, Germany
- KATEK Frickenhausen GmbH, Frickenhausen, Germany (which, in turn, holds 100% ownership interest and voting power in KATEK Czech Republic s.r.o., Horní Suchá, Czech Republic)
- beflex electronic GmbH, Frickenhausen, Germany (which, in turn, holds 100% ownership interest and voting power in KATEK Singapore Pte. Ltd., Singapore and BEFLEX ELECTRONIC MALAYSIA SDN. BHD, Kuala Lumpur, Malaysia)
- eSystems MTG GmbH, Wendlingen am Neckar, Germany

14.5 Auditor

Ebner Stolz GmbH & Co. KG ("**Ebner Stolz**"), through its office located at Kronenstrasse 30, 70174 Stuttgart, Germany, has acted as statutory auditor of the Company's Financial Statements, on each of which it issued an unqualified independent auditor’s report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*).

Ebner Stolz is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstrasse 26, 10787 Berlin, Germany.

The Financial Statements have been audited in accordance with Section 317 of the German Commercial Code (*Handelsgesetzbuch*, HGB) and German generally accepted standards for financial statement audits promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by Ebner Stolz, independent auditors, as stated in the respective German language auditor's report. English language translations of the Financial Statements and the respective auditor's reports thereon are included in Section "18 *Financial Information*".

The respective auditor's reports of Ebner Stolz on the Financial Statements refer to the audited financial statements.

14.6 Announcements

In accordance with Section 3 of the Articles of Association, the announcements of the Company are published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law.

In accordance with the Prospectus Regulation, announcements in connection with the approval of this Prospectus or any supplements thereto will be published in the form of publication provided for in this Prospectus, in particular through publication on the Company's website (https://katek-group.de/investor-relations/). Printed copies of this Prospectus and any supplements thereto are available at the Company's office at Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280) free of charge.

14.7 Description of the Company's Share Capital and Applicable Regulations

14.7.1 Current Share Capital and Shares

As of the date of this Prospectus, the share capital of the Company amounts to EUR 9,808,800.00 and is divided into 9,808,800 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*). The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany and are denominated in euro and represented by one or more global share certificates, which are deposited with Clearstream.

As of the date of this Prospectus, the Company holds no treasury shares.

14.7.2 Description of Shares

Each share entitles the shareholder to one vote at the Company's general shareholders' meeting *(Hauptversammlung)*. There are no restrictions on voting rights and the shares carry full dividend entitlement. All shares of the Company carry full dividend rights as from 1 January 2021 and for all subsequent financial years.

The transferability of the Company's shares is not restricted by law or the Company's Articles of Association.

14.7.3 Development of the Share Capital

The Company was founded as a European stock corporation (*societas Europaea*) on 23 February 2017 under the name "Spreeadler dual Vorrat H 1 SE" and was entered in the commercial register of the local court of Berlin-Charlottenburg under the number HRB 184901 B on 10 March 2017. The annual shareholder meeting of the Company on 23 November 2018 passed a resolution to amend the Articles of Association and relocate the registered offices from Berlin to Munich. The Company was entered into the commercial register of the local court of Munich under the number HRB 245284 on 10 December 2018. At formation, the Company's share capital amounted to EUR 120,000.00.

The following table sets out the increases in the Company's share capital from the founding of the Company to the date of this Prospectus:

Date of the shareholder resolution to increase the share capital	Nominal amount of the capital increase	Resulting issued capital	Date of entry in the Commercial Register
29 September 2020	26,400.00	146,400.00	29 October 2020
19 March 2021	9,662,400.00	9,808,800.00	7 April 2021
20 April 2021	3,433,080.00	13,241,880.00	tentatively 30 April 2021

Capital increase against contributions in kind on 29 September 2020

The extraordinary shareholders' meeting on 29 September 2020 adopted a resolution to issue new shares, increasing the Company´s share capital from EUR 120,000.00 by EUR 26,400.00 to EUR 146,400.00 by issuing 26,400 new bearer shares, each with a EUR 1.00 share in the capital stock per bearer share against contributions in kind. The new shares were issued at an issue price of EUR 1.00 per share on the issue date and were entitled to dividends as of 1 January 2020. The shareholders' subscription rights were excluded. The implementation of the capital increase was entered into the commercial register on 29 October 2020.

Capital increase out of Company´s funds on 19 March 2021

The extraordinary shareholders' meeting on 19 March 2021 adopted a resolution to increase the Company´s share capital from EUR 146,400.00 by EUR 9,662,400.00 to EUR 9,808,800.00 by converting some of the capital reserve shown in the balance sheet as of 31 December 2020 (*Kapitalerhöhung aus Gesellschaftsmitteln*). The capital increase was carried out by issuing 9,662,400 new bearer shares with no par value, each with a EUR 1.00 share in capital stock. The new shares were issued to shareholders at a ratio of 1:66, i.e. the shareholders each received 66 new bearer shares with no par value for each one of their existing bearer shares with no par value. The capital increase was entered in the commercial register of the local court of Munich on 7 April 2021.

Capital increase against contributions in cash on 20 April 2021

The extraordinary shareholders' meeting on 20 April 2021 adopted a resolution to issue the New Shares, increasing the Company´s share capital from EUR 9,808,800.00 by up to EUR 3,433,080 to up to EUR 13,241,880 by issuing up to 3,433,080 new bearer shares, each with a EUR 1.00 share in the capital stock per bearer share against contributions in cash. The New Shares will be issued at an issue price of EUR 1.00 per share on the issue date and are entitled to dividends as of 1 January 2021. The shareholders' subscription rights were excluded. Hauck & Aufhäuser Privatbankiers Aktiengesellschaft was appointed to subscribe for and underwrite 80% of the Offered Shares, which are part of the Offering and M.M.Warburg & CO (AG & Co.) KGaA to subscribe for and underwrite the remaining 20% of the Offered Shares. The implementation of the capital increase is expected to be entered into the commercial register on or about 30 April 2021.

14.7.4 Authorised Capital

As of the date of this Prospectus, the Company has an authorised capital pursuant to Section 4 paragraph 2 of the Articles of Association in conjunction with Section 202 et seq. of the German Stock Corporation Act (*Aktiengesetz*).

Thereunder, the Management Board is authorised, subject to Supervisory Board approval, to undertake one or more increases of the Company's share capital until 18 March 2026 up to a maximum amount of EUR 3,923,520.00 by issuing up to 3,923,520 new no-par value shares against contributions in cash or in kind (Authorised Capital 2021). As a general rule, shareholders must be granted subscription rights. The new shares may also be issued to one or several banks, subject to the obligation to offer them to shareholders. However, the Management Board is authorised, subject to Supervisory Board approval, to exclude shareholders' statutory subscription rights in the following circumstances:

- where required, to settle fractional amounts;
- where a capital increase against cash contributions does not exceed 10 percent of the share capital, and the issue price for the new shares is not significantly lower than the stock market price (Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act *(Aktiengesetz)*); if this authority to exclude subscription rights under Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act *(Aktiengesetz)*is exercised, due regard should be given to other authorities to exclude subscription rights granted by Section 186, paragraph 3, sentence 4 of the German Stock Corporation Act *(Aktiengesetz)*, which means that shares issued with exclusion of subscription rights in direct or analogous application of this provision during the term of this authorisation up to the time of its exercise shall count towards the limit of 10 percent;
- in capital increases against contributions in kind, particularly in the form of enterprises or portions of enterprises, companies or interests in companies, receivables, patents, trademarks or other intellectual property rights, licenses or other assets or rights;
- in order to grant a subscription right to the Company's shares to holders of convertible bonds, option bonds, or certificated options issued by the Company, in the same proportion to which they would be entitled if they exercised their conversion or option rights or following any mandatory conversion, as applicable;
- in order to issue the Company's shares to members of the Management Board, senior management of related parties or employees of the Company or related parties; or
- in other cases in which doing so would be in the Company's best interests.

Subject to the approval of the Supervisory Board, the Management Board is authorised to specify the remaining details pertaining to the capital increase and its implementation. The Supervisory Board is authorised to amend the wording of the Articles of Association in line with the use made of authorised capital.

14.7.5 Conditional Capital

As of the date of this Prospectus, the Company has a conditional capital pursuant to Section 4 paragraphs 3 and 4 of the Articles of Association in conjunction with Section 192 et seq. of the German Stock Corporation Act (*Aktiengesetz*).

The share capital is conditionally increased by up to EUR 12,000.00 by issuing up to 12,000 no-par value bearer shares (Conditional Capital 2019),which shall only be implemented to the extent that the holders of options issued by the Company on the basis of the authorisation of the general shareholders' meeting *(Hauptversammlung)* of 25 September 2019 exercise their option rights. The share capital is further conditionally increased by up to EUR 3,119,520.00 by issuing up to 3,119,520 no-par value bearer shares (Conditional Capital 2021), which shall only be implemented to the extent that the holders of convertible bonds issued by the Company on the basis of the authorisation of the general shareholders' meeting *(Hauptversammlung)* of 19 March 2021 exercise their conversion rights.

The new shares participate in the profits from the beginning of the financial year in which they are created through the exercise of conversion or option rights or through the fulfilment of conversion obligations. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the conditional capital. The same shall apply in the event of non-utilisation of the authorisation to issue convertible and/or options after expiry of the authorisation period and in the event of non-utilisation of the Contingent Capital after expiry of the deadlines for exercising conversion and/or option rights or for fulfilling conversion and/or option obligations.

14.7.6 Authorisation to Issue Convertible Bonds and/or Warrant Bonds

As of the date of this Prospectus and based on the authorisation of the general shareholders' meeting *(Hauptversammlung)* of 19 March 2021, the Management Board of the Company is authorised, with the consent of the Supervisory Board, on one or more occasions up to 18 March 2026, to issue bearer and/or registered convertible bonds and/or warrant bonds with a total nominal value of up to EUR 200,000,000.00 (hereinafter jointly referred to as "**Bonds**") with a maximum term of 20 years and to grant the holders of the Bonds conversion or option rights to new shares in the Company with a pro rata amount of the share capital of up to a total of EUR 200,000,000.00 in accordance with the more detailed provisions of the convertible or option bond conditions. The Bonds can be issued on one or more occasions, in whole or in part and also simultaneously in different tranches.

The shareholders are generally entitled to a subscription right for the Bonds. The statutory subscription right may also be granted in such a way that the Bonds are taken over by one or more credit institutions with the obligation to offer them to the shareholders for subscription.

However, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription right of the Company's shareholders to the Bonds with conversion or option rights to shares in the Company in whole or in part,

- provided that the issue price for a bond is not significantly lower than the theoretical market value of the debt securities determined in accordance with recognised financial mathematical methods. In this context, the sum total of the shares to be issued on the basis of Bonds pursuant to this authorisation in accordance with Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) (simplified exclusion of subscription rights in connection with a capital increase against cash contributions), together with other shares issued or sold in accordance with this legal provision during the validity of this authorisation, may not exceed 10% of the respective share capital, either at the time this authorisation becomes effective or at the time it is exercised;

- in order to grant subscription rights to the holders of conversion or option rights to shares in the Company to compensate for dilution to the extent to which they would be entitled after exercising these rights;

- to exclude fractional amounts resulting from the subscription ratio from the shareholders' subscription rights.

If convertible bonds are issued, the holders of the convertible bonds are entitled to exchange their convertible bonds for shares in the Company in accordance with the terms of the convertible bond. The proportionate amount of the share capital of the shares to be issued on conversion may not exceed the nominal value of the convertible bonds. The conversion ratio is calculated by dividing the nominal amount of a convertible bond by the fixed conversion price for one share in the Company. The exchange ratio can also be calculated by dividing the issue price of a convertible bond, which is below the nominal amount, by the fixed conversion price for one share of the Company. It may be provided that the exchange ratio is variable and the conversion price is fixed within a range to be determined depending on the development of the share price during the term or during a certain period of time within the term. The exchange ratio may in any case be rounded up or down to a whole number; furthermore, an additional cash payment may be stipulated. Furthermore, it may be provided that fractional amounts are combined and/or compensated in cash.

If warrant bonds are issued, one or more warrants will be attached to each warrant bond which entitle the holder to subscribe to shares in the Company in accordance with the warrant conditions to be determined by the Management Board. The pro rata amount of the share capital represented by the shares to be subscribed for each warrant bond may not exceed the nominal value of the warrant bonds.

The respective bond terms and conditions may also establish a conversion obligation at the end of the term or at an earlier point in time. Finally, the terms and conditions of the Bonds may provide that in the event of conversion or the exercise of an option, the Company shall not grant shares in the Company to the party entitled to conversion or option rights, but shall pay the equivalent value in cash. Furthermore, the respective bond terms and conditions may provide that in the event of conversion or exercise of the option, the Company may also grant treasury shares of the Company.

The respective conversion or option price for a share of the Company (subscription price) to be set in each case must, even in the case of a variable exchange ratio/conversion price, either (a) be at least 80% of the average closing price (XETRA-trading or a comparable successor system) of the Company's shares on the ten trading days immediately before the day on which the Management Board passes a resolution to issue convertible bonds or warrant bonds or (b) at least 80% of the average closing price (XETRA trading or comparable successor system) of the Company's shares during the days on which the subscription rights are traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), with the exception of the last two trading days of subscription rights trading. Sections 9, paragraph 1 and 199, paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*) remain unaffected.

If the economic value of the existing conversion or option rights is diluted during the term of a Bond and no subscription rights are granted as compensation for this, the conversion or option rights will be adjusted in a value-preserving manner – irrespective of the lowest issue price pursuant to Section 9 paragraph 1 of the German Stock Corporation Act (*Aktiengesetz*) – unless the adjustment is already mandatory by law. In any case, the proportionate amount of the share capital of the no-par value bearer shares to be subscribed per Bond may not exceed the nominal amount per Bond.

Instead of an adjustment of the option or conversion price, the payment of a corresponding amount in cash by the Company when exercising the option or conversion right or when fulfilling the option or conversion obligation can be provided for after the conditions of the warrant bonds or convertible bonds have been more closely defined. In addition, the terms and conditions of the Bonds may provide for an adjustment of the option or conversion rights or obligations in the event of a capital reduction or other extraordinary measures or events.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the other individual issues and features of the convertible and/or warrant bonds, in particular the interest rate, issue price, term and denomination, conversion or option price and the conversion or option period.

At the date of this Prospectus, the Company has not issued any convertible bonds and/or warrant bonds.

14.7.7 Treasury Shares and Authorisation to Acquire and Use Treasury Shares

As of the date of this Prospectus, the Company holds no treasury shares in the Company.

By resolution of the general shareholders' meeting *(Hauptversammlung)* of 20 April 2021, the Company is authorised to acquire treasury shares up to a total amount of 10% of the Company's share capital. Together with other treasury shares already held by the Company or attributable to it in accordance with Sections 71 a et seq. of the German Stock Corporation Act (*Aktiengesetz*), the shares acquired under this authorisation may at no time exceed 10% of the Company´s share capital. The authorisation may be exercised in whole or in part, once or several times, by the Company, by Group companies or by third parties for the account of the Company. The authorisation is valid until 19 April 2026.

At the discretion of the Management Board, the acquisition shall be effected via the stock exchange or by means of a public purchase offer addressed to all shareholders of the Company or a public invitation to submit offers to sell:

a) if the shares are purchased on the stock exchange, the price per share paid by the Company (excluding ancillary purchase costs) may not be more than 10% higher or 10% lower than the average closing price (XETRA trading or a comparable successor system) determined on the

Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last three trading days prior to the purchase of the shares for shares with the same features.

b) If the shares are purchased by means of a public offer to buy (or a public invitation to submit offers to sell) to all shareholders of the Company, the purchase price offered or the limits of the purchase price range offered per share (excluding ancillary purchase costs) may not be more than 10% higher or 10% lower than the average closing price (XETRA trading or a comparable successor system) determined on the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* during the last three trading days prior to the date of publication of the offer for shares of the same class. The public purchase offer or the public invitation to submit offers to sell may stipulate further conditions. The volume of the offer may be limited. If the total number of shares offered for purchase by the shareholders exceeds this volume, acceptance will be in proportion to the shares offered for purchase. Provision may be made for preferential acceptance of smaller numbers of up to 50 shares offered for purchase per shareholder and for rounding in accordance with commercial principles to avoid arithmetical fractions of shares. Any further tender rights of shareholders are excluded in this respect.

The Management Board is authorised, without the need for further resolutions by the general shareholders' meeting *(Hauptversammlung)*, to sell the treasury shares acquired on the basis of this authorisation or acquired on the basis of earlier authorisations not only via the stock exchange or by means of a public offer to all shareholders, but also to use them, in each case with the approval of the Supervisory Board, for all legally permissible purposes, in particular for the following purposes:

a) The treasury shares may be issued to third parties against contributions in kind, in particular as consideration for the acquisition of companies, investments in companies or parts of companies and for the acquisition of receivables from the Company.

b) The treasury shares may be sold to third parties. The price at which the Company's shares are sold to third parties may not be significantly lower than the stock exchange price of the shares at the time of the sale. When making use of this authorisation, the exclusion of the subscription right based on other authorisations in accordance with Section 186 paragraph 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) must be taken into account.

c) The treasury shares may be offered and transferred to members of the Management Board or persons who are in an employment relationship with the Company or one of its Group companies for the purpose of fulfilling employee participation programmes and/or for the purpose of exercising option and/or conversion rights or obligations arising from warrant bonds and/or convertible bonds issued by the Company or its Group companies.

d) The treasury shares may be redeemed without any further resolution by the general shareholders' meeting *(Hauptversammlung)*. The redemption leads to a capital reduction. The shares may also be redeemed in a simplified procedure without a capital reduction by adjusting the proportionate notional amount of the Company's share capital represented by the remaining shares. The redemption may be limited to a portion of the acquired shares.

The above authorisations concerning the use of the acquired treasury shares may be exercised once or several times, in whole or in part, individually or jointly. The subscription right of shareholders to acquired treasury shares is excluded to the extent that these shares are used in accordance with the above authorisations under a), b) and c). The Management Board will inform the general shareholders' meeting *(Hauptversammlung)* of the reasons for and purpose of the acquisition of treasury shares, the number of shares acquired and the amount of share capital attributable to them as well as the consideration paid for the shares in each case.

The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the authorisation to redeem shares.

14.7.8 General Provisions Governing a Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated by a resolution of the general shareholders' meeting *(Hauptversammlung)* that is passed by a majority of the votes cast, provided that those votes also represent 75% or more of the share capital represented at the general shareholders' meeting *(Hauptversammlung)* (Article 63 SE Regulation, Section 262 (1) paragraph 2 of the German Stock Corporation Act (*Aktiengesetz*)). Pursuant to Article 63 of the SE Regulation in conjunction with Section 271 of the German Stock Corporation Act, (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors that must be observed in the event of liquidation.

14.8 General Provisions Governing a Change in the Share Capital of the Company

Under Articles 5 and 59 of the SE Regulation together with Section 182 (1) of the German Stock Corporation Act (*Aktiengesetz*), a European stock corporation (*Societas Europaea, SE*) requires a resolution of the general shareholders' meeting *(Hauptversammlung)* to be passed by a majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is passed, to increase its share capital. In so far as the law requires a capital majority in addition to a majority of votes for resolutions of the Company's general shareholders' meeting *(Hauptversammlung)*, a simple majority of the share capital represented will be sufficient to the extent legally permissible. Accordingly, certain capital measures that do not mandatorily require a majority of at least 75% of the share capital represented at the vote, such as capital increases from the Company's own funds, may be adopted by a simple majority.

Shareholders can also create authorised capital. This requires a resolution passed by a majority of the votes cast as well as a majority of at least 75% of the share capital represented when the resolution is passed, authorizing the Management Board to issue a specific quantity of shares within a period not exceeding five years. The nominal amount of the authorised capital may not exceed 50% of the share capital existing at the time the authorisation is granted.

In addition, shareholders can create conditional capital by a resolution passed with a majority of the votes cast as well as a majority of at least 75% of the share capital represented at the time the resolution is passed, for the purposes of (i) issuing shares to holders of convertible bonds or other securities granting a right to subscribe for shares, (ii) issuing shares as consideration in a merger with another company, or (iii) issuing shares offered to managers and employees. The nominal amount of conditional capital may not exceed 10% of the share capital at the time the resolution is passed in cases where it is created to issue shares to managers and employees and may not exceed 50% in all other cases.

The shareholders' meeting *(Hauptversammlung)* may also resolve to decrease the share capital of the Company. Resolutions to decrease share capital require a simple majority of the votes cast, as well as a majority of at least 75% of the share capital represented at the time the resolution is adopted.

14.9 General Provisions Governing Subscription Rights

In principle, Article 5 of the SE Regulation in conjunction with Section 186 of the German Stock Corporation Act (*Aktiengesetz*) grants to all shareholders the right to subscribe for new shares issued in a capital increase. The same applies to convertible bonds, warrant bonds, profit participation rights and participating rights. Subscription rights are freely transferable and may be traded on German stock exchanges for a prescribed period before the deadline for subscription expires. However, shareholders do not have a right to request admission to trading for subscription rights. The general shareholders' meeting *(Hauptversammlung)* may, subject to a majority of at least 75% of the share capital represented at the vote, resolve to exclude subscription rights. Exclusion of shareholders' subscription rights also requires a report from the management board that justifies and demonstrates that the Company's interest in excluding subscription rights outweighs the interest of the shareholders being granted subscription rights. Excluding shareholders' subscription rights when new shares are issued is specifically permissible where:

- the company is increasing share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the share capital at the time the resolution is adopted; and
- the price at which the new shares are being issued is not materially lower than the stock exchange price.

14.10 Exclusion of Minority Shareholders

Under Article 9(1) lit. c (ii) of the SE Regulation together with Sections 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*), which governs the so-called "squeeze-out under stock corporation law", upon the request of a shareholder holding 95% of the share capital ("**Majority Shareholder**"), the general shareholders' meeting *(Hauptversammlung)* of a stock corporation may resolve to transfer the shares of minority shareholders to the Majority Shareholder against the payment of adequate compensation in cash. The amount of the cash payment that must be offered to minority shareholders has to reflect "the circumstances of the Company" at the time the general shareholders' meeting *(Hauptversammlung)* passes the resolution. The amount of the cash payment is based on the full value of the Company, which is generally determined using the capitalised earnings method. The minority shareholders are entitled to file for a valuation proceeding (*Spruchverfahren*), in the course of which the adequacy (*Angemessenheit*) of the cash payment is reviewed.

In addition, under Section 62 paragraph 5 of the German Transformation Act *(Umwandlungsgesetz*), a Majority Shareholder holding at least 90% of a stock corporation's share capital can require the general shareholders' meeting *(Hauptversammlung)* to resolve that the minority shareholders must transfer their shares to the Majority Shareholder against the payment of adequate compensation in cash, provided that (i) the Majority Shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien – KgaA*), or a European company (SE) having its seat in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act (*Umwandlungsgesetz*) between the Majority Shareholder and the stock corporation. The general shareholders' meeting *(Hauptversammlung)* approving the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for the squeeze-out is essentially identical to the "squeeze-out under stock corporation law" described above, including the minority shareholders' right to have the adequacy of the cash compensation reviewed.

In addition, according to Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* "**WpÜG**"), providing for a so-called "squeeze-out under takeover law", an offeror holding at least 95% of the voting share capital of the target company (as defined in the German Securities Acquisition and Takeover Act) after a takeover offer or mandatory public offer, may within three months of the expiry of the deadline for acceptance of the offer, request the transfer of the remaining voting shares to it by court order against payment of an adequate compensation. A resolution by the general shareholders' meeting *(Hauptversammlung)* is not required. To this end, the compensation guaranteed as part of the takeover offer or mandatory public offer is deemed adequate if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital affected by the offering. The nature of the compensation must be the same as the consideration paid under the takeover bid or mandatory offer; a cash alternative must be offered to shareholders in any event.

Furthermore, according to Section 39c WpÜG, the shareholders of a target company who have not accepted the offering can accept it within a further three months after the acceptance period of the takeover or mandatory public offer has expired ("sell-out"), if the offeror has the right to file an application for the transfer of the outstanding voting shares in accordance with Section 39a WpÜG.

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been completed.

Under Article 9 (1) lit. c (ii) of the SE Regulation together with Section 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*), the general shareholders' meeting *(Hauptversammlung)* of a stock corporation may vote for integration (*Eingliederung*) with another stock corporation that has its registered office in Germany, provided the prospective parent company holds all shares of the company to be integrated. The former shareholders of the integrated company are entitled to adequate compensation, which, generally, must be provided in the form of shares in the parent company. Where the compensation takes the form of shares in the parent company, it is considered appropriate if the shares are issued in the same proportion as the shares the parent company would have been issued per share in the integrated company if a merger had taken place. Fractional amounts may be paid out in cash.

14.11 Takeover Bids

The shares of the Company have not yet been traded on a regulated market. Consequently, the provisions of the of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* **"WpÜG"**) do not apply until the shares of the Company are admitted to trading on the regulated market with simultaneous admission to the sub-segment of the regulated market with additional post-listing obligations (Prime Standard) of the Frankfurt Stock Exchange.

From the time the shares of the Company are admitted to trading on the regulated market with simultaneous admission to the sub-segment of the regulated market with additional post-listing obligations (Prime Standard) of the Frankfurt Stock Exchange, i.e. prospectively on 3 May 2021, the provisions of the WpÜG concerning public bids will apply.

According to these provisions, every person whose share of voting rights reaches or exceeds 30% of the voting rights of the Company must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the internet and through electronic media for disseminating financial information. Subsequently, such person must submit a mandatory public tender offer to all shareholders of the Company, unless the BaFin has granted an exemption from this obligation. The WpÜG contains provisions relating to the attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30% threshold or fails to submit a mandatory public tender offer, such person is barred from exercising shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) for the duration of non-compliance. In addition, BaFin may impose a fine in connection with such non-compliance.

In case of voluntary takeover bids, the procedural rules of the WpÜG must also be observed.

14.12 Shareholder Notification Requirements

Upon admission of the Company's shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company will be subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz,* **"WpHG"**).Pursuant to Section 33 paragraph 1 WpHG, anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of voting rights in the Company, as an issuer whose country of origin (*Herkunftsstaat*) is Germany, is required to notify the Company and BaFin at the same time. All such notifications must be submitted without undue delay, and no later than within four trading days. The notification period starts at the time the person or entity subject to the notification requirement has knowledge of or, in consideration of the circumstances, should have had knowledge of his proportion of voting rights reaching, exceeding or falling below the aforementioned thresholds. The WpHG contains a conclusive presumption that the person or entity subject to the notification requirement has such knowledge two trading days after such an event occurs. Moreover, a person or entity is deemed to already hold shares as of the point in time such person or entity has an unconditional and due claim for the transfer of such shares pursuant to Section 33 paragraph 3 WpHG. In the case that a threshold has been reached or crossed due to a change in the total number of voting rights, the notification period starts at the time the person or entity subject to the notification requirement has knowledge about such change or upon the publication of the revised total number of voting rights by the Company, at the latest.

In connection with these requirements, Section 34 WpHG contains various attribution rules. For example, voting rights attached to shares held by a subsidiary are attributed to its parent company. Similarly, voting rights attached to shares held by a third party for the account of a person or entity are attributed to such person or entity. Voting rights which a person or entity is able to exercise as a proxy according to such person's or entity's discretion are also attributed to such person or entity. Further, subject to certain conditions, the coordination by a person or entity with a third party on the basis of an agreement or in any other way generally results in an attribution of the full amount of voting rights held by, or attributed to, the third party as well as to such person or entity. Such acting in concert generally requires a consultation on the exercise of voting rights or other efforts designed to effect a permanent and material change in the business strategy of the Company (e.g., fundamental changes to the Company's business model or a sale of a substantial part of the Company's assets). Accordingly, the exercise of voting rights does not necessarily have to be the subject of acting in concert. Coordination in individual cases, however, is not considered as acting in concert.

Similar obligations to notify the Company and the BaFin apply pursuant to Section 38 paragraph 1 WpHG to anyone who reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, by directly or indirectly holding instruments either (i) giving their holder the unconditional right or discretion to acquire voting shares of the Company or (ii) relating to such shares and having a similar economic effect, whether or not conferring a right to a physical settlement. Pursuant to Section 38 paragraph 2 WpHG, such instruments include, in particular, transferable securities, options, futures, swaps, forward rate agreements and contracts of difference. The number of voting rights with respect to the notification requirement is generally calculated by reference to the full nominal amount of shares underlying the financial instrument except where the financial instrument provides for cash settlement only. Details for such calculations are laid down in the Commission Delegated Regulation (EU) 2015/761 supplementing Directive 2004/109/EC with regard to certain regulatory technical standards on major holdings.

In addition, anyone whose aggregate number of voting rights and instruments pursuant to Sections 33 and 38 WpHG reaches, exceeds or falls below the aforementioned thresholds, except for the 3% threshold, has to notify the Company and the BaFin pursuant to Section 39 paragraph 1 WpHG.

Pursuant to Section 43 WpHG, a shareholder who reaches or exceeds the threshold of 10% of the voting rights of the Company, or a higher threshold, is required to notify the Company within 20 trading days regarding the objective being pursued through the acquisition of such voting rights, as well as regarding the source of funds used for the purchase. Changes in those objectives must also be reported within 20 trading days. The Articles of Association have not made use of the option to release shareholders from this disclosure obligation. In calculating whether the 10% threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 WpHG without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom.

14.13 Disclosure of Transactions of Persons Discharging Management Responsibilities

Pursuant to Article 19 of MAR, persons discharging managerial responsibilities at the Company ("**Executives**") must notify the Company and the BaFin of every transaction conducted on their own account relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called managers' transactions). The same applies to persons closely associated with Executives. Transactions that must be notified also include, among others, the pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of an Executive or a closely associated person, including where discretion is exercised, as well as transactions made under a life insurance policy. The notification requirement applies to any subsequent transaction once a total amount of EUR 20,000 has been reached within a given calendar year. Notification must be made promptly and no later than three business days after the date of the transaction.

For the purposes of MAR, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Executive means a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust or partnership, the managerial responsibilities of which are discharged by an Executive of the Company or by another person closely associated with him. Finally, the term includes a legal person, trust or partnership, which is directly or indirectly controlled by an Executive of the Company or by another person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company must ensure that the information of which it is notified is promptly made public. In any case, it must be made public no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis in accordance with the Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers' transactions in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council. Furthermore, according to the WpHG, the Company must without undue delay transmit the information to the German Company Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

15. CORPORATE BODIES

15.1 Overview

The Company is a European stock corporation (*Societas Europaea, SE*) with its registered office in Munich, Germany. The Company is subject to European legislation on SEs, especially to the SE Regulation. Furthermore, the Company is governed by the German SE Implementation-Act (*SE-Ausführungsgesetz*) and the general provisions of German corporate law, particularly the German Stock Corporation Act (*Aktiengesetz*) and the German Commercial Code (*Handelsgesetzbuch*). To a large extent, German SEs are treated like German stock corporations (*Aktiengesellschaften*), including with respect to capital measures such as capital increases and reductions, shareholders' meetings and accounting. In addition to the general shareholders' meeting (*Hauptversammlung*) (the "**General Shareholders' Meeting**"), an SE may elect to have either a two-tiered governance system, comprising a management board (*Vorstand*) and a supervisory board (*Aufsichtsrat*), or a one-tiered governance system comprising solely a board called an executive board (*Verwaltungsrat*). The Articles of Association (*Satzung*) provide for a two-tier governance system with a management board (the "**Management Board**") and a supervisory board (the "**Supervisory Board**").

The powers vested in these bodies are set forth in the German Stock Corporation Act (*Aktiengesetz*), the Articles of Association and the internal rules of procedure (*Geschäftsordnungen*) for the Management Board.

The Management Board is responsible for managing the Company in accordance with applicable law, the Articles of Association and the rules of procedure for the Management Board, including the schedule of responsibilities (*Geschäftsverteilungsplan*), taking into account the resolutions of the general shareholders' meeting *(Hauptversammlung)*. The members of the Management Board represent the Company in dealings with third parties.

The Management Board is responsible for implementing appropriate risk management and control systems within the Group that provide timely warning of any development that might jeopardise its continued existence. The Management Board is obliged to report to the Supervisory Board, in accordance with statutory regulations, regularly, timely and comprehensively on all matters of planning, development of business, risks, risk management and compliance. The Management Board reports to the Supervisory Board regularly on the projected business objectives and other key issues relating to corporate planning (especially finance, investment and human resources planning). These regular reports include a budget for the following financial year, a plan for the medium term and a discussion of any deviations between actual developments and objectives previously reported on, including the reasons for such deviations. The Management Board is also obligated to report regularly to the Supervisory Board, at a minimum on a quarterly basis, on the status of the business and condition of the Company and its subsidiaries.

The Supervisory Board appoints the members of the Management Board and is entitled to remove any member of the Management Board in certain circumstances. As set out in Article 40 of the SE Regulation together with the German Stock Corporation Act (*Aktiengesetz*), the Supervisory Board is authorised to oversee and advise the Management Board in managing the business. The Supervisory Board is itself generally not authorised to manage or represent the Company.

Each member of the Management Board and the Supervisory Board owes a duty of loyalty, duty of legality and duty of care to the Company. In exercising these duties, each member of these bodies must consider in their decision-making a broad spectrum of interests of various stakeholders, particularly those of the Company and its shareholders, employees and creditors. In addition, the Management Board must take into consideration the shareholders' rights to equal treatment and equal access to information. If members of the Management Board or Supervisory Board breach their duties, they may be individually or jointly and severally liable with the other members of the Management Board or the Supervisory Board to the Company for compensatory damages, as the case may be.

Under German law, individual shareholders and all other persons are prohibited from using their influence on the Company to cause a member of the Management Board or the Supervisory Board to take an action detrimental to the Company's interests. A shareholder with a controlling influence may not use that influence to cause the Company to act contrary to its own interests unless there is a domination agreement (*Beherrschungsvertrag*) between the shareholder and the Company and unless the influence remains within the boundaries of certain mandatory provisions of law or compensation is paid for the disadvantages that arise. Any person who intentionally uses his or her influence on the Company to cause a member of the Management Board or the Supervisory Board, an authorised representative (*Prokurist*) or an authorised agent (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is liable to compensate the Company and the affected shareholders for the resulting losses. Alongside a person who uses his or her influence to the detriment of the Company, the members of the Management Board and Supervisory Board can be jointly and severally liable, if they acted in violation of their duties.

15.2 Management Board

15.2.1 General Information about the Management Board

The Management Board consists of one or more members. The Supervisory Board appoints the members of the Management Board for a maximum term of five years and determines their number. The Supervisory Board may appoint a member of the Management Board to act as chair of the Management Board. Reappointment or extension of the term of members of the Management Board, each for a maximum period of up to five years, is permissible. The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause, such as a gross breach of fiduciary duty, or if the general shareholders' meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable. The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court vis-à-vis the Management Board.

The Company is represented by two members of the Management Board jointly or by one member of the Management Board together with an authorised signatory (*Prokurist*). If only one member has been appointed, he or she represents the Company alone. The Supervisory Board may grant one, several or all members of the Management Board the authority to represent the Company individually and/or exempt them from the prohibition of multiple representation under Section 181 of the German Civil Code (*BGB*), insofar as Section 112 of the German Stock Corporation Act (*Aktiengesetz*) permits the latter. The authority to represent the Company alone and/or the exemption from the prohibition of multiple representation under Section 181 BGB may be revoked at any time.

Resolutions of the Management Board are generally passed in meetings, which take place at the Company's offices. In addition, resolutions may be passed independently of physical meetings via circular resolutions (in writing, orally, per telephone, email, facsimile or other common means of communication (particularly including video conference)).

The Supervisory Board adopts the rules of procedure of the Management Board. The current version of the rules of procedure of the Management Board was resolved upon by the Supervisory Board on 26 March 2021 and entered into force on the same day.

Notwithstanding the collective responsibility of the members of the Management Board, the rules of procedure of the Management Board provide that the Supervisory Board adopts a schedule of responsibilities (*Geschäftsverteilungsplan*) that assigns specific duties to each member of the Management Board. The current schedule of responsibilities (*Geschäftsverteilungsplan*) was adopted by the Supervisory Board on 16 April 2021.

In accordance with the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*), the approval of the Supervisory Board must be obtained for certain transactions.

15.2.2 Members of the Management Board

The following table lists the current members of the Management Board, the duration of their remaining terms and their positions:

Name	First appointed on	Appointed until	Position
Rainer Koppitz	23 January 2019	31 March 2024	Chief Executive Officer
Dr Johannes Fues	22 November 2018	31 December 2023	Chief Financial Officer

Rainer Koppitz's areas of responsibility include in particular the information and coordination with the Supervisory Board, sales, operations and manufacturing, the overall strategy and corporate development, the Group´s communications, the Group´s internal audit department, innovation, product development and the brands of KATEK SE, product and user experience.

Dr Johannes Fues's areas of responsibility include in particular financial, investment and personnel planning, controlling, financial reporting, risk management, compliance, investment management, financial participation management, financing, investor relations, legal management, contract management, tax management and general administration including purchasing.

The following description provides a summary of the *curriculum vitae* of the current members of the Management Board and indicates their principal activities outside KATEK to the extent those activities are significant with respect to KATEK.

Rainer Koppitz has been Chief Executive Officer of KATEK SE since 23 January 2019.

From 1988 to 1990, Mr Koppitz studied Business Administration at Siemens Corporate University, Munich and in 1991 he was a trainer at the German Air Force (*Luftwaffe*) Academy in Giebelstadt, Würzburg. Between 1992 and 1997, Mr Koppitz worked for Siemens Nixdorf Computersystems AG, most recently in the role of Head of Strategic & Operational Marketing, after which he transferred to the affiliate Siemens Management Consulting as a project manager. After a break from 2000 to 2001, during which he worked as Head of Sales for Extracom AG, Mr Koppitz returned to Siemens Management Consulting, where he held the position of Vice President & Partner until 2003. From 2003 to 2004, he was Head of Sales & Consulting Germany and member of the German Board and from 2005 to 2006 President Global Sales Unit at another affiliate, Siemens Business Services GmbH & Co. OHG. Between 2006 and 2009, Mr Koppitz acted as MD & EVP Global Services Business & Labour Director at Unify / Siemens Enterprise Communications GmbH & Co KG, followed by a role as Group MD, Global Chief Sales Officer (CSO) and Labour Director at Siemens IT Solutions and Services GmbH (SIS) from 2009 to 2011. Mr Koppitz then moved to London, where he worked as Vice President and General Manager Services EMEA at Dell Inc. from 2011 to 2012. Following that role, he moved to NFON AG, a cloud communications company, where he was the Chief Executive Officer from 2012 to 2015, and has acted as the chair of the board since March 2012. In 2015, he also worked as CEO and MD Germany & Austria at BT Germany/Austria, and from 2016 to 2018 as Global CEO and MD at B2X GmbH, a company specialising in aftersales services for consumer internet of things devices, after which he joined KATEK SE as chief executive officer in January 2019.

Dr Johannes Fues has been Chief Financial Officer of KATEK SE since 22 November 2018.

Commencing in 1998, Dr Fues studied business administration at the Ingolstadt School of Management of the University of Eichstätt-Ingolstadt and at Creighton University, Omaha, Nebraska, graduating in 2003 with a degree in business administration (“Diplom-Kaufmann”). While working on his PhD he worked on reorganisation projects for a number of major business consultants. After concluding his dissertation, he joined the Competence Center Restructuring & Finance at a reputed medium-sized business consultant firm. During his time as a consultant for restructuring issues, Dr Fues led restructuring and transformation projects, primarily at mid-cap companies in German-speaking countries. His focus lies on strategy, business models and finance issues. In the process, he frequently assumed the position of CFO and Head of Finance and Administration on an interim basis to ensure implementation of the concept. Since 2017, Dr Fues has been a member of the management team of PRIMEPULSE SE, where he is responsible for Asset Management &

Operations, and held management positions in the group. He joined KATEK SE as chief financial officer in November 2018.

All members of the Management Board may be reached at the Company's office at Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280).

The following overview lists all of the companies and enterprises in which the member of the Management Board currently holds seats or has held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which he was a partner during the last five years, with the exception of the Company and its subsidiaries:

Rainer Koppitz

Current seats:

- Since September 2012 NFON AG (chair of the supervisory board)
- Since August 2019 Gigaset AG (substitute member of the supervisory board)

Past seats:

- from January 2016 to December 2018 B2X Care GmbH (managing director)

Other than listed above, Mr Koppitz has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

Dr Johannes Fues

Current seats:

- None

Past seats:

- from January 2019 to January 2020 AL-KO Geräte GmbH (managing director)

15.2.3 Senior Manager

In addition to the Management Board and the Supervisory Board, the senior manager ("**Senior Manager**") is considered relevant to establishing that KATEK has the appropriate expertise and experience for the management of its business:

Dr Marc Achhammer

Current seats:

- None

Past seats:

- from September 2018 to February 2019 Managing Director of B2X Care Solutions GmbH;
- from November 2017 to May 2019 Managing Director of B2X Care Solutions Inc.;
- from November 2017 to May 2019 Managing Director of B2X Care Solutions LP;
- from October 2018 to May 2019 Managing Director of B2X Care Peru, S.A.C.;
- from December 2017 to July 2019 Managing Director of B2X VIETNAM HOLDING JOINT STOCK COMPANY;
- from December 2017 to March 2019 Managing Director of B2X Care Solutions Pte. Ltd.;

- from October 2017 to August 2019 Managing Director of B2X Care Mesoamerica S DE R. L. DE C.V.

Other than listed above, Mr Achhammer has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

Dr Marc Achhammer, Group Director Operations/ COO

Dr Marc Achhammer completed his Diploma in Physics and Master in Philosophy from University of Regensburg followed by a Ph.D. in Theoretical Particle Physics from the same university. He has 20 years of experience of providing direction, operations and sales experience including innovation development and its implementation. During his experience, he has been part of and has overseen corporate mergers and acquisitions and ensured their smooth transition.

As of the date of this Prospectus, Dr Achhammer does not hold any shares or options of the Company.

15.2.4 Remuneration and other Benefits of the Members of the Management Board

15.2.4.1 Remuneration in the Financial Year Ended 31 December 2020

In the fiscal year ended 31 December 2020, the total remuneration (including fixed and variable components as well as benefits in kind) the members of the Management Board received amounted to EUR 354 thousand in the aggregate, compared to EUR 388 thousand in the aggregate in the fiscal year ended 31 December 2019.

15.2.4.2 Additional Benefits

Additional benefits are granted to the members of the Management Board, such as the reimbursement of out-of-pocket expenses (including travel expenses) incurred in the course of providing services to the Company in accordance with the applicable expense policies of the Company. Additionally, all members of the Management Board are covered against third-party liabilities under a directors' and officers' insurance policy at the Company's expense with a deductible in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*) of 10% of the damage.

15.2.4.3 Non-Compete Provisions and Severance Payments

During the term of their service agreement, the members of the Management Board are subject to certain non-compete obligations, including a prohibition from working (as an employee, in a self-employed or any other capacity) for, or investing in (subject to certain exceptions), a company that is a direct or indirect competitor of the Company or that is affiliated with such a competitor. In the event of a revocation from office, none of the members of the Management Board is entitled to any severance payment or comparable other benefits under their respective employment agreements and no such provisions apply to the arrangements with the members of the Supervisory Board.

15.2.5 Shareholdings of the Members of the Management Board in the Company

As of the date of this Prospectus, Mr Koppitz and Dr Fues directly hold 402,000 and 40,200 of the Company's shares, respectively. Furthermore, Dr Fues indirectly holds 3,752 additional shares.

15.3 Supervisory Board

15.3.1 General Information about the Supervisory Board

In accordance with Section 9 paragraph 2 of the Articles of Association, the Supervisory Board consists of four (4) members.

The Supervisory Board members are appointed for the period up to the end of the general shareholders' meeting *(Hauptversammlung)* which resolves to ratify the actions of the Supervisory Board members for the fourth financial year after the commencement of the term of office. The financial year in which the term of office begins is not counted. If a Supervisory Board member is elected to replace a retired member, his or her office will continue for the remainder of the term of office of the retiring member.

Each member of the Supervisory Board may resign from office by written declaration to the chair of the Supervisory Board or to the Management Board with four weeks' notice.

The Supervisory Board elects its chair and one deputy chair from among its members. The election is to be made for the term of office of the elected members. If the chair or its deputy resigns from office prematurely, the Supervisory Board must immediately hold a new election for the remaining term of office of the resigning member.

The chair of the Supervisory Board is authorised to make the declarations of intent required to implement the resolutions of the Supervisory Board and its committees and to receive declarations on behalf of the Supervisory Board.

The rights and duties of the chair of the Supervisory Board shall be exercised by his deputy in the event of the former being indisposed.

The Supervisory Board appoints members of the Management Board and supervises management of the Company.

The Management Board must report to the Supervisory Board on an ongoing basis to the extent required by law. In addition, the Supervisory Board may request reports on all matters concerning the Company, on its legal and business relations with affiliated companies as well as on business transactions regarding these companies, which may be of significance for the situation of the Company.

The Supervisory Board has the right to inspect all books and records at any time and to examine the assets of the Company. For this purpose, the Supervisory Board may commission experts.

The Supervisory Board may determine its own rules of procedure in accordance with the law and the Articles of Association.

The Supervisory Board is authorised to make amendments to the Articles of Association to the extent that such amendments merely relate to the wording.

The Supervisory Board shall convene every calendar quarter and must be convened twice per calendar half-year.

The meetings of the Supervisory Board must be convened by the chair of the Supervisory Board with 14 days' notice by telephone, fax or e-mail. The day of dispatch of the invitation is not included in the calculation of the notice period. In urgent cases, the chair may shorten this period appropriately.

The agenda must be communicated with the invitation to the meeting. If the agenda has not been properly announced, resolutions may only be passed on it if no member of the Supervisory Board objects. In such a case, absent members of the Supervisory Board shall be given the opportunity to object to the resolution or to cast their vote in writing within a reasonable period of time determined by the chair. The resolution shall only become effective if the absent members of the Supervisory Board do not object within this period or if they have given their consent.

As a rule, resolutions of the Supervisory Board are passed at meetings. Outside meetings, written or telephone resolutions or resolutions by fax or e-mail may be passed at the direction of the chair of the Supervisory Board if no member objects to this procedure within a reasonable period of time determined by the chair. The chair must immediately prepare written minutes of such resolutions and forward them to all members.

The Supervisory Board shall have a quorum if at least three members participate in the adoption of the resolution. A member shall also participate in the adoption of the resolution if he abstains from voting.

Absent Supervisory Board members may participate in votes of the Supervisory Board by having other Supervisory Board members submit their votes in writing.

Resolutions of the Supervisory Board must be passed by a simple majority of the votes cast, unless the law provides otherwise. Abstention from voting is not deemed to constitute voting. In the event of a tie, the vote of the chair will be decisive; this also applies to elections. If the chair of the Supervisory Board does not take part in the vote, the vote of his deputy shall be decisive.

Minutes must be kept of the deliberations and resolutions of the Supervisory Board, which are to be signed by the chair of the meeting or, in the case of votes outside the scope of meetings, by the chair of the vote.

The Company has concluded a directors' and officers' insurance policy for the members of the Management Board as well as for the members of the Supervisory Board that provides for a deductible in the amount of 10% of any damage incurred, up to one and a half times the fixed annual remuneration.

Further details, particularly regarding composition, duties, overall responsibility and internal organisation are governed by the rules of procedure of the Supervisory Board which were resolved upon by the Supervisory Board on 26 March 2021 and entered into force on the same day.

15.3.2 Committees of the Supervisory Board

The Supervisory Board can set up committees in accordance with the law and has established an audit committee to date.

To the extent permitted by law and by the Articles of Association, the Supervisory Board may delegate any of its duties, decision-making powers and rights to these committees.

The audit committee has the following responsibilities:

- reviewing the financial reporting of the Company, monitoring its accounting processes, the effectiveness of internal control systems, the risk management system and the internal audit system as well as the auditing of the financial statements, in particular the selection and independency of the auditors and the additional services rendered by the auditors, and of the compliance systems;

- preparing resolutions of the Supervisory Board in connection with (i) the annual financial statements and the consolidated financial statements of the Company and (ii) the Supervisory Board’s proposal to the shareholders’ meeting regarding the election of the Company’s auditors, including conducting the selection process;

- discussing interim financial statements with the Management Board and, if relevant, with the auditors;

- instructing the auditors and cooperating with the auditors; and

- approving measures and transactions of the Management Board, to the extent such approval is required pursuant to the rules of procedure of the Management Board.

The audit committee comprises three members. The current members of the audit committee are Stefan Kober (chair), Klaus Weinmann (deputy chair) and Andreas Müller.

The chair of the Supervisory Board may not simultaneously hold the position of chair of the audit committee.

The audit committee performs its duties in compliance with applicable laws, in particular Regulation (EU) No. 537/2014 of the European Parliament and the Council of April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities, as amended, the Articles of Association and the rules of procedure of the Supervisory Board.

The chair of the audit committee regularly conducts discussions with the auditors. As a rule, the chief financial officer of the Company also attends these discussions. In certain cases, discussions may also take place without the chief financial officer. In connection with the fulfilment of its responsibilities, the audit committee may request information from the auditor, the Management Board, the audit department and the senior executives of the Company directly reporting to the Management Board.

15.3.3 Members of the Supervisory Board

The table below lists the current members of the Supervisory Board.

Name	Member since	Appointed until	Position
Klaus Weinmann	22 November 2018	End of general shareholders' meeting that takes place in 2023	Chair
Stefan Kober	22 November 2018	End of general shareholders' meeting that takes place in 2023	Deputy chair
Andreas Müller	1 April 2021	End of general shareholders' meeting that takes place in 2026	Member
Hannes Niederhauser	1 April 2021	End of general shareholders' meeting that takes place in 2026	Member

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board currently hold seats or have held seats on administrative, management or supervisory boards, or comparable German or foreign supervisory bodies, or of which they were partners during the last five years, with the exception of the Company and its subsidiaries:

Klaus Weinmann

Current seats:

- since August 2017 Chair of the Board of PRIMEPULSE SE;
- since November 2017 Chair of the Supervisory Board of STEMMER IMAGING AG;
- since August 2018 Managing Director of PRIMEPULSE SE
- since July 2018 General Manager of ABCON Holding GmbH.
- since January 2019 Member of the Advisory Board of Mindcurv GmbH
- since May 2019 Member of the Board of Directors of ExactlyIT Inc
- since April 2020 Deputy Chair of the Supervisory Board of glueckkanja-gab AG.

Past seats:

- from June 2014 to November 2017 Chair of the Supervisory Board of CANCOM GmbH;

- from December 2017 to June 2018 Deputy Chair of the Supervisory Board of CANCOM GmbH;
- from June 2014 to August 2017 Chair of the Supervisory Board of PRIMEPULSE SE (formerly AL-KO AG);
- from April 2015 to June 2018 member of the Supervisory Board of CANCOM ICT Service GmbH;
- from June 2015 to February 2018 Director of AL-KO Automotive Corporation;
- from June 2015 to August 2018 Director of AL-KO Kober, LLC;
- from June 2015 to August 2018 Director of Axis Products, Inc;
- from June 2015 to August 2018 Director of AL-KO USA, Inc. (formerly: AL-KO Axis Inc.);
- from 1992 to September 2018 Chair of the Management Board of CANCOM SE.

Other than listed above, Mr Weinmann has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

Stefan Kober

Current seats:

- since July 2015 Deputy Chair of the Supervisory Board of Shaanxi Baocheng Aero-Tech Air Conditioning Equipment Co., Ltd
- since November 2017 Deputy Chair of the Supervisory Board of STEMMER Imaging AG
- since June 2018 Chair of the Supervisory Board of AL-KO KOBER SE
- since February 2019 Member of the Supervisory Board of CANCOM SE
- since August 2019 Managing Director of Kober Beteiligungs GmbH
- since January 2021 Chair of the Supervisory Board of CANCOM SE

Past seats:

- from May 2014 to May 2017 Managing Director of PRIMEPULSE SE (formerly: Kober Beteiligungs GmbH, Jettingen-Scheppach, AL-KO GmbH, AL-KO AG, AL-KO SE)
- from May 2017 to June 2017 member of the Management Board of PRIMEPULSE SE; (formerly: Kober Beteiligungs GmbH, Jettingen-Scheppach, AL-KO GmbH, AL-KO AG, AL-KO SE)
- from April 2015 to May 2017 Managing Director of AL-KO THERM GMBH
- from April 2007 to June 2017 Director of AL-KO Automotive Parts Manufacturing (Ningbo) Co. Ltd.
- from December 2013 to September 2016 Member of the Board of Directors of AL-KO Kober AG
- from May 2015 to September 2016 Chair of the Board of Directors of AL-KO Kober AG
- from June 2015 to August 2016 Chair of the meeting of AL-KO Real Estate UK Ltd.
- from January 2016 to May 2017 Vice Chair of the Board of Directors of DexKo Global Inc.;

- from July 2006 to May 2018 Member of the Supervisory Board of AL-KO Ginge A/S
- from January 2006 to June 2018 Member of the Board of AL-KO KOBER SE
- from June 2014 to June 2018 VS-Chair/ CEO of AL-KO KOBER SE
- from September 2007 to June 2018 President of AL-KO Kober Ind., Inc.
- from June 2016 to June 2018 Managing Director of PRIMEPULSE Beteiligungs GmbH
- from April 2015 to June 2018 Managing Director of AL-KO Geräte GmbH
- from June 2017 to December 2018 Managing Director of SI HOLDING GmbH

Other than listed above, Mr Kober has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

Andreas Müller Current seats:

- since August 2009 Managing Director of S.D.L. Süddeutsche Beteiligungs GmbH
- since January 2015 CEO of S.D.L. Süddeutsche Leasing AG
- since March 2018 Managing Director of S.D.L. Süddeutsche Projektbau GmbH
- since May 2019 Managing Director of Müller Asset Management GmbH
- since August 2020 Managing Director of S.D.L. Vermietungsverwaltungsgesellschaft mbH

Past seats:

- from February 2017 to December 2017 Chair of the Supervisory Board of NHG GmbH

Other than listed above, Mr Müller has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

Hannes Niederhauser Current seats:

- since 2012 CEO of S&T AG (formerly: Quanmax AG)
- since December 2016 CEO of Kontron S&T AG
- since June 2018 Member of the Board of KRTEK13 AG
- since May 2019 Member of the Supervisory Board at startup300 AG

Past seats:

- None

Other than listed above, Mr Niederhauser has not been a member of any administrative, management or supervisory body of any other company or partnership outside of KATEK within the last five years.

The following description provides summaries of the *curriculum vitae* of the current members of the Supervisory Board and indicates their principal activities outside KATEK to the extent those activities are significant with respect to KATEK.

Klaus Weinmann, Chair of the Supervisory Board

Mr Weinmann studied business administration at the University of Augsburg from 1990, graduating in 1995 with the degree “Diplom Kaufmann”. After founding CANCOM GmbH (now CANCOM SE) in 1992 as an IT Value Added Reseller, the company, which Klaus Weinmann led in a management role from the beginning, later as Chair of the Management Board, recorded rapid growth. In 1999 Klaus Weinmann took the company public and in 2012 CANCOM was included in the TecDAX index of the 30 largest high tech companies in Germany, as one of Germany’s leading IT systems houses.

Stefan Kober, Deputy Chair of the Supervisory Board

Stefan Kober began his career in 1992 while he was still studying economics at the University of Augsburg and with the founding of CANCOM. CANCOM today is one of the largest, stock-listed IT systems houses in Germany. Mr Kober was a member of the executive board and responsible for marketing and sales from 1992 to 2005. Today he oversees the successful development of the CANCOM Group as a member of the supervisory board. At the beginning of 2006, he moved to executive board in the family business AL-KO Kober SE, where he was responsible for marketing and sales with a focus on the Gardentech division. The group today operates in the areas of gardentech, air technology, and automotive and is one of the global players among Germany’s medium-sized enterprises. Since July 2014 until June 2018, he was third generation chair of AL-KO Kober SE’s executive board and managed the company successfully and future-oriented. Under his leadership, the company achieved a number of milestones, such as the merger of the former vehicle technology unit to multi-billion group DexKo Global Inc., to create a growth-oriented positioning for the future. Today Mr Kober supports the company’s development as chair of the supervisory board.

Andreas Müller, Member of the Supervisory Board

After obtaining a wholesale and export trading vocational certificate at Rösel Datentechnik GmbH in Illertissen, Germany, Andreas Müller started his career as a sales manager at Datura AG in Cologne, Germany from 1997 to 1998. From 1998 to 2004, he was a managing director and shareholder of Netcost Leasing GmbH, after which he was chief representative agent at S.D.L. Süddeutsche Leasing AG from 2004 to 2014, and has also acted as managing director at S.D.L. Süddeutsche Leasing AG since 2009, managing director at S.D.L. Süddeutsche Projektbau GmbH since 2018 and managing director at S.D.L. Vermietungsverwaltungsgesellschaft mbH since 2020. Mr Müller has also been the managing director of Müller Asset Management GmbH since 2019.

Hannes Niederhauser, Member of the Supervisory Board

Hannes Niederhauser studied Electrical Engineering and graduated from Technische Universität Graz in 1987. He joined Infineon AG in Munich as a chip developer from 1987 up to 1989. From May 1989 through January 1994, Mr Niederhauser was the head of sales and development at Boards AG in Eching. In 1994, Mr Niederhauser took the position of Managing Director at Teknor GmbH. In 2001, Mr Niederhauser took Kontron AG to its Initial Public Offering while serving as the chair of the board.

All members of the Supervisory Board may be reached at the Company’s offices at Promenadeplatz 12, 80333 Munich, Germany (telephone +49 89 24881-4280).

15.3.4 Remuneration of the Members of the Supervisory Board

The remuneration of the Supervisory Board members is regulated by Section 12 of the Articles of Association as well as the related resolutions adopted by the shareholders' meetings. The members of the Supervisory Board did not receive any compensation in the financial years 2020 and 2019.

Starting in 2021, the members of the Supervisory Board receive a fixed annual compensation in the amount of EUR 20,000. Notwithstanding the foregoing, the chair of the Supervisory Board receives a fixed annual compensation in the amount of EUR 40,000, and the deputy chair EUR 30,000, and each member of the audit committee receives an additional EUR 2,000, the chair of the audit committee an additional EUR 4,000, each member of the nomination committee, to the extent one is formed, will receive an additional EUR 1,000, and the chair of the nomination committee an additional EUR 2,000 per annum. In addition, each member of the Supervisory Board will receive an attendance fee of EUR

1,000 and the chair of the Supervisory Board an attendance fee of EUR 2,000 for each meeting attended. The remuneration is payable after the end of the financial year. Members of the Supervisory Board who hold their office in the Supervisory Board or who hold the office as chair only during a part of the fiscal year will receive a corresponding portion of the compensation. In addition to the aforementioned compensation, the Company will reimburse the members of the Supervisory Board for their reasonable out-of-pocket expenses incurred in connection with performing their duties as members of the Supervisory Board as well as the value-added tax on their compensation and out-of-pocket expenses. Section 113(2) of the German Stock Corporation Act (*Aktiengesetz*) remains unaffected.

The members of the Supervisory Board are covered by the Company's directors' and officers' insurance policy.

15.3.5 Shareholdings of the Supervisory Board Members in the Company

As of the date of this Prospectus, Mr Weinmann and Mr Kober each holds shares of PRIMEPULSE SE, thus indirectly holding the Company's shares, but neither holds a controlling interest in PRIMEPULSE SE.

Mr Niederhauser holds shares of grosso tec AG, thus indirectly holding the Company's shares, but he does not hold a controlling interest in grosso tec AG.

As of the date of this Prospectus, Mr Müller does not hold any shares or options of the Company.

15.4 Certain Information Regarding the Members of the Management Board and Supervisory Board as well as the Senior Manager

In the last five years, no current member of the Management Board or Supervisory Board or the Senior Manager has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager.

In the last five years, no member of the Management Board or Supervisory Board or the Senior Manager has been convicted of fraudulent offences.

In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Management Board or Supervisory Board or the Senior Manager, nor have sanctions been imposed by the aforementioned authorities.

No court has ever disqualified any of the members of either board or the Senior Manager from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

15.5 Potential Conflicts of Interest

One member of the Supervisory Board, Klaus Weinmann, is at the same time member of the executive board of PRIMEPULSE SE. Since the interests of PRIMEPULSE SE and the Company will not necessarily always coincide or be aligned, the aforementioned dual office may result in conflicts of interest for this person. Other than that, there are no conflicts of interest or potential conflicts of interest between the members of the Management Board and Supervisory Board as regards the Company on the one side and their private interests, membership in governing bodies of companies, or other obligations on the other side.

Neither the members of the Management Board nor the Supervisory Board have entered into a service agreement with a Group company that provides for benefits upon termination of employment or office. In accordance with the recommendations of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) any payments made to a member of the Management Board due to early termination of their management board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract.

There are no family relationships between the members of the Management Board and the Supervisory Board, either among themselves or in relation to the members of the other body.

15.6 General Shareholders´ Meeting

Pursuant to Article 54 para. 1 of the SE Regulation, the ordinary general shareholders' meeting must be held within the first six months of each financial year. Pursuant to Section 13 paragraph 1 of the Articles of Association of the Company, the general shareholders' meeting takes place at the registered seat of the Company, at a seat of a German stock exchange or any community within Germany having a population of more than 100,000. It is generally convened by the Management Board. Notice must be issued in the Federal Gazette (*Bundesanzeiger*) at least 30 days before the day of the general shareholders' meeting. The day of the meeting and the day of the publication of the convocation in the Federal Gazette (*Bundesanzeiger*) are not taken into account when calculating this 30-day period. This period is extended for the period for registration and proof of shareholding by the shareholders. In accordance with Section 15 paragraph 4 of the Articles of Association, only those shareholders who register for the general shareholders' meeting and provide evidence of their shareholding are entitled to participate in the general shareholders' meeting and exercise their voting rights. The registration and proof of shareholding must be received by the Company at least six days prior to the day of the general shareholders' meeting unless a shorter period of time was set forth in the convening notice.

Details on the granting of proxy, its revocation and the evidence to be provided to the Company are provided together with the convening notice for the general shareholders' meeting.

The Management Board is authorised to make arrangements for shareholders to take part in the general shareholders' meeting without being present in person and without naming an authorised representative, and to exercise all or some of their rights fully or partially, using electronic communication. In this context, the Management Board is also authorised to establish the further regulations on the scope and procedures for the participation and exercising of rights in this regard. Any use of these procedures and the regulations established for them are to be announced when convening the general shareholders' meeting.

Pursuant to the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) dated 27 March 2020 (the "**COVID-19-Act**") as extended by regulation of the Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbraucherschutz*) dated 20 October 2020, the Management Board may decide, with the approval of the Supervisory Board, to hold shareholders' meetings on or before 31 December 2021 as virtual shareholders' meetings without physical attendance of the shareholders of their representatives, provided the following requirements are fulfilled:

- the entire shareholders' meeting is broadcast via audio and video transmission;
- shareholders may exercise their voting rights via electronic communication (absentee voting or electronic participation) and by authorizing proxy representatives;
- shareholders are granted the opportunity to ask questions via electronic communication; and
- shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the shareholders' meeting without the requirement to attend in person at the shareholders' meeting.

Under the COVID-19-Act, the Management Board, with the consent of the Supervisory Board, may shorten certain periods in connection with the convocation of, registration and providing evidence of shareholding for, shareholders' meetings held on or before 31 December 2021. In particular, the shareholders' meeting may be convened as late as the 21st day prior to the day of the meeting.

The Management Board is also authorised to arrange for shareholders to submit their votes in writing or using electronic communication (absentee voting) without attending the general shareholders' meeting. The Management Board is also authorised to establish regulations on the procedure in this regard. Any use of these procedures and the regulations established for them are to be announced when convening the general shareholders' meeting.

Every share grants one vote in the general shareholders' meeting.

Shareholders have the option of having their voting rights exercised by a proxy, e.g. by a shareholders' association or an intermediary. The granting of the power of attorney, its revocation, and the proof of authorisation vis-à-vis the Company must be in text form.

The general shareholders' meeting is chaired by the chair of the Supervisory Board, or if the chair is unable to do so, by the deputy chair. If both the chair and the deputy are incapacitated, the chair will be elected by the general shareholders' meeting under the attesting notary as chair.

Pursuant to Section 15 paragraph 3 of the Articles of Association, resolutions of the general shareholders' meeting are generally passed with a two-thirds majority of the votes validly cast, or if at least one half of the voting rights is represented at the meeting, a simple majority of votes validly cast, unless mandatory statutory provisions provide otherwise. If a majority of the share capital is required by law in addition to the voting majority, a simple majority of the registered share capital represented at the vote is sufficient, unless a higher majority is required by mandatory statutory law or the Articles of Association.

Pursuant to Articles 5 and 59 of the SE Regulation together with the German Stock Corporation Act *(Aktiengesetz*), resolutions of fundamental importance (*grundlegende Bedeutung*) mandatorily require a majority of at least 75% of the share capital represented at the vote. Resolutions of fundamental importance include:

- the approval to conclude, amend or terminate enterprise agreements (*Unternehmensverträge*);
- amendments to the corporate purpose of the Company;
- the creation of conditional or authorised capital;
- an exclusion of subscription rights as part of a capital increase by the general shareholders' meeting or in the context of an issuance of, or authorisation to issue, convertible and profit sharing certificates and other profit sharing rights;
- an authorisation on the use of treasury shares;
- capital reductions;
- a liquidation of the Company or a subsequent continuation of the liquidated Company;
- the approval of contracts within the meaning of Section 179a of the German Stock Corporation Act (*Aktiengesetz*) (transfer of the entire assets of the Company) and management actions of special significance that require the approval of the general shareholders' meeting of the Company in compliance with legal precedents; and
- an integration of the Company into another corporation.

Neither German law nor the Articles of Association limit the rights of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise voting rights associated therewith.

15.7 Corporate Governance Code

The German Corporate Governance Code, as amended on 16 December 2019 (the "**Code**"), contains recommendations and suggestions for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognised standards of good and responsible corporate governance. The purpose of the Code is to increase the transparency of the German system of corporate governance and supervision for investors. The Code includes recommendations and suggestions for management and supervision with regards to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. Pursuant to Section 161 para. 1 AktG, the Management Board and the Supervisory Board are, however, required to declare that the Company has either complied or will comply with the recommendations of the Code, or which recommendations have not or will not be complied with, and explain why the Management Board and the Supervisory Board do not or will not comply with certain recommendations. This declaration must be submitted annually and must be made permanently accessible to the shareholders. There is no requirement to disclose any deviations from the suggestions of the Code.

The Company intends to comply after the listing of the Shares with all recommendations of the Code.

16. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with individuals or entities which are, inter alia, members of the same Group as the Company or which control or are controlled by the Company must be disclosed, unless they are already included as consolidated companies in the Company's audited financial statements. Control exists if a shareholder owns more than 50% of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board and Supervisory Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

This section sets out details of transactions with related parties that the Company has entered into since the date of its last financial statements. Information on related-party transactions entered into by the Company in prior periods are set out in the notes to the Company's Audited Consolidated Financial Statements, which are included in this Prospectus in Section "18 Financial Information" on pages F-1 et seq. Business relationships between companies of KATEK are not included.

KATEK had business transactions with related parties in the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018, as well as in the current fiscal year until the date of the Prospectus. Other than as specifically described below, all transactions are performed substantially on the same terms, including interest rates and security, as for transactions of a similar nature with third party counterparts. All such transactions with related parties were thus, in the Company's view, carried out on an arm's length basis.

The KATEK Group has identified the members of the Management Board, the members of the Supervisory Board and the members of management of its major shareholder, PRIMEPULSE SE, as individual related parties who were parties to related-party transactions.

Further, the KATEK Group has identified the Company's subsidiaries, all of which are fully consolidated, Empaios Real Estate GmbH and PRIMEPULSE SE as corporate related parties who were parties to related-party transactions.

KATEK incurred EUR 7,867 thousand in liabilities to related parties in the year ended 31 December 2020, compared to EUR 63,684 thousand in the fiscal year ended 31 December 2019, and EUR 28,065 thousand in the fiscal year ended 31 December 2018.

KATEK incurred EUR 2,455 thousand in expenses to related parties in the year ended 31 December 2020, compared to EUR 2,297 thousand in the fiscal year ended 31 December 2019, and EUR 589 thousand in the fiscal year ended 31 December 2018.

KATEK generated EUR 1,653 thousand in revenue from related parties in the year ended 31 December 2020, compared to EUR 917 thousand in the fiscal year ended 31 December 2019, and EUR 729 thousand in the fiscal year ended 31 December 2018.

Effective 20 April 2021, the Company and its subsidiary, beflex electronic GmbH, entered into a profit and loss transfer agreement which provides that, commencing with its current financial year, beflex electronic GmbH will transfer any and all profits and losses (each as defined under German GAAP) that it generates to the Company.

17. WARNING ON TAX CONSEQUENCES

Income received from the Offered Shares is subject to taxation. In particular, the tax laws of any jurisdiction with authority to impose taxes on the investor and the tax laws of the Issuer's state of incorporation, statutory seat and place of effective management, i.e., Germany, might have an impact on the income received from the Offered Shares.

Persons interested in purchasing any of the Offered Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Offered Shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

18. FINANCIAL INFORMATION

18.1 Audited Consolidated Financial Statements of KATEK SE prepared in accordance with IFRS as of and for the financial year ended 31 December 2020, and independent auditor's report thereon:

18.2 Audited Consolidated Financial Statements of KATEK SE prepared in accordance with IFRS as of and for the financial year ended 31 December 2019, and independent auditor's report thereon:

18.3 Audited Annual Financial Statements of KATEK SE prepared in accordance with German GAAP as of and for the financial year ended 31 December 2018, and independent auditor's report thereon:

18.4 Audited Annual Financial Statements of KATEK SE prepared in accordance with German GAAP as of and for the financial year ended 31 December 2020, and independent auditor's report thereon:

18.1 Audited Consolidated Financial Statements of KATEK SE prepared in accordance with IFRS as of and for the financial year ended 31 December 2020, and independent auditor's report thereon:

Consolidated Statement of Financial Position

ASSETS

EUR k	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Property, plant and equipment	11/21	68,269	49,692
Goodwill	10	8,521	8,521
Other intangible assets	10	9,944	10,382
Financial assets	20	8	8
Employee benefits	17	264	21
Other financial assets	20	57	46
Deferred tax assets	9	8,059	1,896
Total non-current assets		**95,122**	**70,565**
Current assets			
Inventories	12	106,961	101,463
Trade receivables	13	23,346	16,863
Other financial assets	20	8,311	5,129
Income tax receivables		215	822
Other assets and prepaid expenses	14	1,114	1,476
Cash and cash equivalents	15	35,453	10,429
Total current assets		**175,399**	**136,183**
Total assets		**270,521**	**206,747**

EQUITY AND LIABILITIES

EUR k	Note	31 Dec 2020	31 Dec 2019
Capital and reserves			
Subscribed capital	16	146	120
Capital reserve	16	48,854	4,880
Revenue reserves	16	16,093	14,514
Total equity		**65,093**	**19,514**
Non-current liabilities			
Non-current loans	19	38,967	29,050
Provisions for pensions and similar obligations	17	2,000	1,447
Other provisions	18	440	78
Other financial liabilities	20/21	31,707	79,002
Other liabilities	24	580	563
Deferred tax liabilities	9	882	1,997
Total non-current liabilities		**74,576**	**112,138**
Current liabilities			
Current loans	19	47,510	30,670
Other provisions	18	9,121	4,061
Trade payables	22	43,421	22,554
Payments received on account of orders	23	3,258	1,945
Other financial liabilities	20/21	14,594	4,033
Income tax liabilities		982	1,704
Other liabilities and deferred income	24	11,968	10,130
Total current liabilities		**130,852**	**75,095**
Total liabilities		**205,428**	**187,233**
Total equity and liabilities		**270,521**	**206,747**

Consolidated Statement of Profit or Loss

EUR k	Note	31 Dec 2020	31 Dec 2019
Revenue	1	**414,201**	**261,002**
Change in inventories		-2,616	578
Own work capitalized	2	2,285	118
Total operating performance		**413,871**	**261,698**
Cost of materials	4	-290,464	-184,772
Gross profit		**123,407**	**76,925**
Other operating income	3	8,691	6,167
Personnel expenses	5	-84,514	-54,422
Other operating expenses	7	-34,686	-19,656
EBITDA		**12,898**	**9,015**
Depreciation and amortization	6	-14,193	-11,001
Earnings before interest and taxes (EBIT)		**-1,295**	**-1,986**
Financial income	8	148	59
Finance costs	8	-3,498	-2,857
Exchange rate differences	8	88	0
Earnings before tax		**-4,556**	**-4,784**
Income taxes	9	6,148	2,594
Net profit or loss of the Group		**1,591**	**-2,191**

Consolidated Statement of Comprehensive Income

EUR k	31 Dec 2020	31 Dec 2019
Net profit or loss of the Group	1,591	-2,191
Other comprehensive income		
Items that might be subsequently recycled through profit or loss		
Exchange rate differences arising from currency translation during the financial year	-155	16
	-155	**16**
Items that may not be subsequently recycled through profit or loss		
Changes in actuarial gains/losses from pensions	191	-150
Deferred taxes from changes in actuarial gains/losses from pensions	-48	64
	143	**-86**
Other comprehensive income after tax	**-12**	**-71**
Comprehensive income	**1,579**	**-2,261**

Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve	Revenue reserves: Other	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2020	120	4,880	-254	16	14,752	**19,514**
Net profit or loss of the Group	0	0	0	0	1,591	**1,591**
Capital increase from shareholders	26	43,974	0	0	0	**44,000**
Adjustments to reserves (OCI)	0	0	143	0	0	**143**
Exchange rate gains and losses	0	0	0	-155	0	**-155**
31 December 2020	**146**	**48,854**	**-111**	**-139**	**16,343**	**65,093**

	Subscribed capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve	Revenue reserves: Other	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2019	120	4,880	-167	0	16,943	**21,775**
Net profit or loss of the Group	0	0	0	0	-2,191	**-2,191**
Adjustments to reserves (OCI)	0	0	-86	0	0	**-86**
Exchange rate gains and losses	0	0	0	16	0	**16**
31 December 2019	**120**	**4,880**	**-254**	**16**	**14,752**	**19,514**

Consolidated Statement of Cash Flows

EUR k	Note	31 Dec 2020	31 Dec 2019
Cash flows from operating activities			
Earnings after tax		1,591	-2,191
Income tax expense/(income tax income)	9	-6,148	-2,594
Interest expenses(/income)		3,349	2,798
Amortization of intangible assets and financial assets, depreciation of property, plant and equipment	6	14,193	11,001
Increase/(Decrease) of provisions	18	7,043	553
Other non-cash expenses/income	26	-2,122	-2,569
(Gain)/loss on the disposal of non-current assets		-1,291	44
(Increase)/decrease in inventories, trade receivables and other assets		-13,641	7,787
Increase/decrease in trade payables and other liabilities		24,048	1,056
Interest received		114	46
Cash inflow/outflow from operating activities		**27,137**	**15,932**
Income taxes paid		-1,290	-2,494
Net cash inflow/outflow from operating activities		**25,847**	**13,438**

EUR k	Note	31 Dec 2020	31 Dec 2019
Cash flows from investing activities			
Cash received from disposal of intangible assets		49	5
Cash paid for intangible assets		-1,025	-375
Cash received from the disposal of property, plant and equipment		3,279	1,480
Cash paid for property, plant and equipment		-16,711	-6,043
Cash paid for additions to the consolidated group less cash and cash equivalents acquired		-2,401	-59,443
Cash paid for investments in connection with short-term finance planning		0	-112
Net cash inflow/outflow from investing activities		**-16,810**	**-64,488**

EUR k	Note	31 Dec 2020	31 Dec 2019
Cash flow from financing activities			
Cash received from borrowing		28,469	30,000
Cash repayments of loans and lease liabilities	21	-31,458	-6,795
Cash received from subsidies/grants	3/5	730	0
Cash received from liabilities to shareholders	20	0	33,610
Cash paid to settle liabilities to shareholders	20	-8,510	0
Interest paid		-3,357	-2,678
Net cash inflow/outflow from financing activities		**-14,127**	**54,137**
Net increase in cash and cash equivalents		**-5,090**	**3,087**
Cash and cash equivalents at the beginning of the financial year		**8,449**	**5,399**
Changes in cash and cash equivalents due to exchange rates and changes in valuation		223	-37
Cash and cash equivalents at the end of the financial year		**3,582**	**8,449**
thereof: bank balances and cash on hand		35,453	10,429
thereof: liabilities to banks		31,871	1,980

Notes to the Consolidated Financial Statements

A. Basis of Preparation

1. General information

The consolidated financial statements of KATEK SE, Munich, and its subsidiaries (hereinafter: "KATEK", "KATEK Group" or "Group") for financial year 2020 were prepared in accordance with International Financial Reporting Standards (IFRS, as endorsed by the EU) and, in addition, with the applicable provisions of German commercial law.

KATEK is a global player and leading European services provider in electronics with subsidiaries in Düsseldorf, Frickenhausen, Grassau, Mauerstetten, Memmingen and Wendlingen as well as international locations in Bulgaria, the Czech Republic and Hungary. The product spectrum covers the entire life cycle of electronic assemblies and devices from development through to materials management and project management, manufacture, box-build, testing technologies and logistics and after-sales service – from small-volume series and prototypes through to mass produced series for all kinds of sectors.

The consolidated financial statements are presented in euros. Unless otherwise specified, all amounts are stated in thousands of euro (EUR k). In isolated cases there may be rounding differences resulting in sums not being entirely accurate or percentages not equating exactly with the stated figures. To aid clarity, we have combined individual line items in the consolidated statement of profit or loss and in the consolidated statement of financial position. The breakdown of these items is listed in the notes to the consolidated financial statements. The consolidated statement of profit or loss has been prepared using the nature of expense method.

The financial year covers the period from 1 January 2020 to 31 December 2020. The registered offices of KATEK SE are located at Promenadeplatz 12, 80333 Munich, Germany. KATEK SE is entered in the commercial register of the local court of Munich under HRB 245284.

PRIMEPULSE SE, based in Munich and the parent company of an international group of companies, holds 81.15% of the shares in KATEK SE.

The KATEK Group is consolidated in the consolidated financial statements of PRIMEPULSE SE, Munich, which compiles the consolidated financial statements as at 31 December of each calendar year for the largest group of companies and publishes these in the Federal Gazette. The KATEK Group has therefore compiled these consolidated financial statements on a voluntary basis.

2. Application of new accounting standards

The KATEK Group is obliged to uniformly apply all standards and interpretations that are mandatory at the end of the reporting period (31 December 2020) to all the periods presented. In addition, it is permitted to early-adopt standards and interpretations that have been published and endorsed by the EU but whose application is not yet mandatory in the reporting year. The Group did not avail of this option.

The first-time application of IFRS mandatory as at 1 January 2020 – Amendments to IFRS 9, IAS 39 and IFRS 7 ("IBOR Reform"), Amendments to IAS 1 and IAS 8 ("Materiality"), Amendments to IFRS 3 ("Definition of a Business") and the amendments to references to the conceptual framework – did not result in any material impact on the financial position, financial performance and cash position in financial year 2020.

Voluntary application of "COVID-19-Related Rent Concessions – Amendment to IFRS 16" as at 1 January 2020 did not have any impact on the presentation of the financial position, financial performance and cash position.

New standards and interpretations that are not yet mandatory

The following standards and interpretations as well as amendments to existing standards that have been ratified by the International Accounting Standards Board (IASB) and endorsed by the EU, are mandatory for all reporting periods beginning on or after 1 January 2021 but have not been applied when compiling these consolidated financial statements:

Standard or interpretation	Contents and significance for the financial reporting	Date of mandatory first-time application
Amendments to IFRS 4	Insurance Contracts –applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 Jan 2021
Amendments to IFRS, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	1 Jan 2021

New standards and interpretations that are not yet applicable

The following standards, interpretations and amendments of existing standards and interpretations have been issued by the IASB. However, as these have not yet been endorsed by the EU, they have not yet been applied when compiling these consolidated financial statements.

Standard	Contents and significance for the financial reporting	Date of mandatory first-time application
IFRS 17 and amendments to IFRS 17	This standard governs the recognition and measurement of insurance policies by the issuers of the policy. It does not have any relevance for the consolidated financial statements of KATEK SE	1 Jan 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 Jan 2023
Amendments to IFRS 3	References to the conceptual framework	1 Jan 2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 Jan 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 Jan 2022
Amendments to IAS 1	Disclosure of Accounting Policies	1 Jan 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 Jan 2023

The Group has not yet made a conclusive assessment of the above new but not yet mandatory standards and interpretations as to whether, and if so, what implications the amendments will have for the financial performance, financial position and cash flows of the Group. At present, it is expected that there will not be any material impact.

3. Consolidated group

The consolidated group for the financial year ended 31 December 2020 comprises the parent company, i.e. KATEK SE, Munich, as well as eight domestic subsidiaries and three foreign subsidiaries.

A subsidiary is an entity that is controlled by KATEK SE. Control is when KATEK SE is exposed to variable returns from its involvement in the investee and has the rights to these returns and is able to use its power over the investee to affect the amount of these returns.

The consolidated group as at 31 December 2020 is as follows:

	Domestic	Foreign	Total
1 January 2020	7	4	11
Majority acquisition	2	0	2
Liquidation	0	-1	-1
31 December 2020	**9**	**3**	**12**

In total, 12 entities are fully consolidated in the consolidated financial statements of KATEK SE.

A list of the group entities and the shareholding held by KATEK SE can be found in the notes to the consolidated financial statements under C.6.

Changes in the consolidated group

Changes at the German entities are presented in the following table:

Domestic	Mergers	Foun-dation	Spin-off	Liquidation	Acqui-sition
KATEK Düsseldorf GmbH, Düsseldorf					X
KATEK Leipzig GmbH (formerly: PRIMEPULSE 12 Vorrats-GmbH), Munich					X

The following changes in the basis of consolidation in other countries occurred during the financial year:

Foreign	Mergers	Foun-dation	Spin-off	Liquidation	Acqui-sition
Katek Austria GmbH, Vienna, Austria				X	

A gain on deconsolidation of EUR 16 k arose from the liquidation of Katek Austria, Vienna, Austria, which is presented under other operating income.

Acquisitions

Acquisition of KATEK Düsseldorf

Effective 15 March 2020, KATEK Düsseldorf GmbH, Düsseldorf, acquired a 100% stake in the SMT production operation of Huf Electronics Düsseldorf GmbH, Düsseldorf, a wholly-owned subsidiary of KATEK Memmingen GmbH, Memmingen. All assets and liabilities were acquired within the scope of an asset deal. In addition, a portion of the workforce from Huf Electronics Düsseldorf GmbH was also taken over. The acquired operation qualifies as a business using the definition of IFRS 3. For this reason, the transaction was treated as a business combination in accordance with IFRS 3. The new group entity, KATEK Düsseldorf GmbH, Düsseldorf, complements the KATEK SE Group, Munich.

The purchase price paid for the net assets amounted to EUR 1,098 k and was settled in cash in financial year 2020.

The following assets and liabilities were assumed in the course of the business combination:

EUR k	Fair value
Purchase price	
Cash and cash equivalents	1,098
Total consideration transferred	**1,098**
Fair value of acquired assets and liabilities	
Intangible assets	3
Fixed assets	2,899
of which identified in the purchase price allocation	192
Inventories	1,196
Provisions	529
Other liabilities	2,470
Fair value of acquired net assets	**1,098**

Acquisition of an operation from a reputed competitor

Effective 1 December 2020, KATEK Memmingen GmbH, Memmingen, acquired an operation from a reputed competitor in order to expand its competence in hybrid inverters. The transaction was conducted as an asset deal. In addition to the assets acquired, a portion of the workforce was also absorbed in the transaction. The acquired operation qualifies as a business using the definition of IFRS 3. For this reason, the transaction was treated as a business combination in accordance with the rules of IFRS 3.

The purchase price paid for the net assets amounted to EUR 1,278 k and was settled in cash in financial year 2020.

The following assets and liabilities were assumed in the course of the business combination:

EUR k	Fair value
Purchase price	
Cash and cash equivalents	1,278
Total consideration transferred	**1,278**
Fair value of acquired assets and liabilities	
Intangible assets	750
of which identified in the purchase price allocation	750
Inventories	528
Fair value of acquired net assets	**1,278**

Acquisition of KATEK Leipzig GmbH

Effective 10 December 2020 KATEK SE, Munich, acquired the shell company, KATEK Leipzig GmbH (formerly: PRIMEPULSE 12 Vorrats-GmbH), Munich, from PRIMEPULSE SE, Munich, for a price of EUR 28 k including transaction costs of EUR 3 k. This entity is being used as a vehicle to acquire the key operating assets from the insolvency of Leesys-Leipzig Electronic Systems GmbH, Leipzig. For more detailed information, see section C.7., Subsequent Events.

4. Accounting policies

The principal accounting policies adopted in preparing these consolidated financial statements are presented in the following. The methods described are consistently applied to the reporting periods, unless stated otherwise.

Standards which become mandatory only after the reporting date were not early adopted. As a result there was no impact from the early adoption of standards on the financial performance, financial position and cash position of the Group.

4.1 Consolidation principles

The consolidated financial statements are based on the separate financial statements of the entities included in the consolidated financial statements of KATEK SE. The separate financial statements of the German and foreign entities included in the consolidated financial statements were prepared on the reporting date of KATEK SE.

Subsidiaries

Upon first-time consolidation, subsidiaries are accounted for in accordance with the acquisition method. This method requires all hidden reserves and hidden burdens of the acquired company to be uncovered during a revaluation and that all identifiable intangible assets are presented separately. Any remaining difference identified during the purchase price allocation is recognized as goodwill. During the first-time consolidation of acquired entities, the carrying amount of the equity held by the ultimate parent company is offset against the assets and liabilities acquired. In subsequent years the carrying amounts of the investment held by the parent company are offset against the equity carried by the subsidiary.

If the net balance of the share acquired in the remeasured assets and liabilities of the acquired entity is higher than the associated costs of the acquisition on the date of the acquisition, the assets and liabilities and contingent liabilities are initially reviewed for any indication of impairment. Any remaining excess (bargain purchase) is then immediately posted as a gain to profit or loss.

All significant intercompany profits and losses, sales, income and expenses are eliminated as are intercompany receivables and liabilities.

Other equity investments

Equity investments which are individually or collectively immaterial for the financial performance, financial position and cash flows are recognized at cost less any impairment losses.

4.2 Foreign currency translation

The separate financial statements of consolidated entities are prepared in the functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the subsidiaries is the respective local currency, as the entities carry out their business activities independently from a financial, economic and organizational perspective.

In the consolidated financial statements, the assets and liabilities of foreign operations are translated on the opening date and on the closing date using the respective closing rates. Any differences that arise during the year as well as any income and expenses and cash flows are then translated into euro using the monthly average exchange rates.

Equity components are translated at the historical rate on the date they were acquired from the Group’s perspective.

Any differences to translating the items using the closing rates are presented separately under equity as a foreign currency translation reserve or as exchange rate differences. The exchange rate differences recorded under equity during the time of the entity’s affiliation to the Group are released to profit or loss when the entity is deconsolidated or upon a reduction in the net investment in a foreign operation.

The euro exchange rates for the most important currencies developed as follows:

EUR 1 /		Closing rate 31 Dec 2020	Closing rate 31 Dec 2019	Average rate 2020	Average rate 2019
HUF	Hungary	363.8900	330.5300	351.2043	325.2285
USD	USA	1.2271	1.1234	1.1413	1.1196
BGN	Bulgaria	1.9558	1.9558	1.9558	1.9558
CZK	Czech Republic	26.2420	25.4080	26.4554	25.6697
JPY	Japan	126.4900	121.9400	121.7754	122.0563

Foreign currency translation

Monetary items, such as receivables and liabilities, denominated in a different currency than the functional currency are translated in the separate financial statements of group entities using the closing rate. The associated gain or loss is posted to profit or loss and presented under other income or other expenses in the consolidated statement of profit or loss.

4.3 Revenue recognition

The KATEK Group applies the revenue recognition policies of IFRS 15 to all contracts with customers. The Group applies the five-step model of IFRS 15 to determine whether the performance obligations constitute distinct performance obligations and whether the contract contains other obligations that represent distinct performance obligations to which a portion of the transaction price must be allocated (e.g. financing components, warranties, equipment (customer-specific parts), rights of use).

The model consists of the following steps:

(1) Identifying the contract with the customer
(2) Identifying the separate performance obligations in the contract
(3) Determining the transaction price
(4) Allocating the transaction price to the performance obligations
(5) Recognizing the revenue (over time or at a point in time)

The Group recognizes revenue on the basis of the consideration agreed on in a contract with a customer. Amounts collected in the name of third parties are excluded from revenue recognition. Revenue is recognized upon the transfer of control over the good or service to the customer. Within the Group, this is generally at a point in time, when the customer obtains possession of the products.

Rebates, bonuses, discounts and the customary warranties and guarantees are deducted from the transaction price and therefore from revenue.

4.4 Intangible assets

Intangible assets acquired for a consideration are stated at cost.

All intangible assets with the exception of goodwill have finite useful lives and are therefore amortized over the prospective useful lives on a straight-line basis.

Goodwill is subject to an impairment test at least once a year in accordance with IAS 36. The Company has set a date of 30 November for conducting its annual impairment tests.

4.5 Research and development expenses

The research and development expenses incurred by the KATEK Group are expensed immediately in the consolidated statement of profit or loss. The recognition criteria of IAS 38 for recognizing development expenses as internally-generated intangible assets are not met at present.

4.6 Property, plant and equipment

Property, plant and equipment is measured at cost less any accumulated depreciation in accordance with IAS 16. Depreciation is measured over the useful life using the straight-line method.

Borrowing costs that are directly allocable to qualifying assets are generally capitalized as part of the cost of those assets in accordance with IAS 23.

Repair expenses that do not serve to substantially improve or expand the respective assets are expensed on principle.

4.7 Leases

The KATEK Group applies IFRS 16 to its leases. IFRS 16 contains a comprehensive model for identifying leases and lays out the accounting for them by both lessors and lessees. The key aspect of the standard is that lessees must now generally recognize the right-of-use assets and the lease liabilities of leases in their statement of financial position. Right-of-use assets and lease liabilities must be recognized for any leases with a term of 12 months or more and where the leased assets do not qualify as low-value assets. For lessors, leases must be classified as either finance leases or operating leases.

The initial measurement of the right-of-use asset and the corresponding lease liability is based on the present value of the lease payments plus any initial direct cost less any lease incentives received. The discounting rate equates with the interest rate inherent to the lease or, if this cannot be readily determined, at the incremental borrowing rate of the Group. The interest rates applied by the KATEK Group entities ranged between 0.83% and 5.01% depending on the respective asset category, the term of the lease and the inception of the lease.

Lease payments generally consist of fixed and variable payments, which may be pegged to an index. If a lease includes an option to extend the lease or purchase the asset, and it is more likely than not that this option will be exercised, the costs of this option are considered in the lease payments.

The right of use asset is depreciated over the shorter of the term of the lease or the useful life of the underlying asset. The payment obligations arising from leases are recognized under other financial liabilities and amortized using the effective interest rate method.

The KATEK Group exercises the practical expedients offered by IFRS 16 concerning short-term leases of not more than 12 months and leases for low-value assets.

4.8 Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets has been calculated on the basis of the following useful lives which have been applied uniformly throughout the Group:

in years	31 Dec 2020	31 Dec 2019
Intangible assets acquired for a consideration	3 - 5	3 - 5
Customer base	5 - 8	5 - 8
Technology/patents	5 - 8	5 - 8
Buildings	15 - 50	15 - 50
Plant and machinery	5 - 8	5 - 8
Other equipment, furniture and fixtures	3 - 15	3 - 15

4.9 Impairment of non-financial assets

Impairment losses are recognized on intangible assets and property, plant and equipment if the recoverable amount of the asset falls short of the carrying amount. If an intangible asset is part of a cash-generating unit, an impairment loss is also recorded on the basis of the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. If goodwill is allocated to a cash-generating unit and its carrying amount exceeds its recoverable amount, it is initially written down to the recoverable amount by recording an impairment loss. Any further need for impairment is recorded by writing down the carrying amounts of the remaining assets of the cash-generating unit. If the reasons for an earlier impairment loss no longer exist, the impairment losses are reversed by writing up the intangible assets. However, the resulting carrying amounts may not exceed amortized cost. No write-ups are performed on goodwill.

4.10 Inventories

Inventories are measured at the lower of cost and net realizable value. They are measured using the weighted average cost method.

Assuming normal capacity utilization, the full costs of production are considered in the cost of inventories.

Production cost includes directly allocable costs as well as fixed and variable production overheads, including an appropriate portion of the depreciation recorded on production plant and equipment. The hourly machining rates are used to calculate these surcharges.

Appropriate allowances are recorded to cover the risks of storage and marketability. Measurement takes into account the lower net realizable values of inventories as at the reporting date. If the reasons for an earlier impairment loss no longer apply, the write-up is charged against the cost of materials.

4.11 Financial instruments

Background

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

Financial instruments are recognized on the settlement date as soon as KATEK becomes a party to the financial instrument. Financial assets and financial obligations are initially measured at fair value. Transaction costs increase or decrease the initial measurement if the financial asset and/or financial liability is not measured at fair value with subsequent changes in fair value posted through profit or loss.

In terms of their subsequent measurement, IFRS 9 requires financial assets to be allocated to one of two categories: either at amortized cost or at fair value. If financial assets are measured at fair value, the related income and expenses are posted either in full to profit or loss (FVTPL – fair value through profit or loss) or to other comprehensive income (FVTOCI – fair value through other comprehensive income).

This classification is decided upon initial recognition, i.e. when the company becomes a party to the contract for the instrument. However, in certain cases, it may be necessary to reclassify financial assets at a later date.

Financial assets

A debt instrument held by the reporting entity that meets the following two conditions must be measured at fair value through other comprehensive income (FVTOCI).

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that meets the following two conditions must be measured at amortized cost (using the effective interest method if applicable):

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

All other debt instruments that do not meet the above conditions must be measured at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period.

The effective interest rate for all financial instruments that are not allocated to the category of purchased or originated impaired financial assets is the interest rate that exactly discounts estimated future cash receipts (including all fees that are a portion of the effective interest rate, transaction costs and other premiums and discounts) to the net carrying amount upon initial recognition through the expected life of the debt instrument or a shorter period, if applicable.

In the case of financial assets that are purchased or originated credit-impaired, interest income is determined by applying an adjusted interest rate to the amortized cost of the asset. The adjusted interest rate is the rate at which the expected cash flows (explicitly considering expected credit losses and the terms of the contract) are exactly discounted to the carrying amount upon initial recognition.

The interest income from debt instruments that are measured at amortized cost or at FVTOCI is determined using the effective interest method. For all financial assets that are not originated impaired, the interest income is determined by applying the effective interest method to the gross carrying amount.

The interest income from financial assets that do not display any indications of impairment upon initial recognition but do so later is determined by applying the effective interest method to amortized cost. If the credit risk of the financial asset which caused the classification as credit-impaired improves in subsequent periods to the extent that the indications of impairment no longer apply, interest income is determined using the effective interest method on the basis of the gross carrying amount.

In the case of financial assets that are purchased or originated credit-impaired, the measurement is not made on the basis of the gross carrying amount, even if the credit risk improves.

Interest income is included in finance revenue in the statement of profit or loss.

Equity instruments classified as FVTOCI

Upon initial recognition, the Company can make an irrevocable decision as to whether it will classify the equity instruments it holds at fair value through other comprehensive income (FVTOCI), whereby only income from dividends are recognized in the profit or loss for the period provided they do not represent any capital repayment. In contrast to debt instruments in the FVTOCI category, the accumulated fair value adjustments are not reclassified through profit or loss upon disposal of the equity instrument. However, this classification is only possible when the equity instrument is not held for trading.

A financial asset is classified as held for trading if one of the following criteria are met:

- The financial asset has been acquired for the purpose of selling it in the near future.

- Upon first-time recognition, the financial asset is part of a portfolio of clearly identified financial instruments that are managed together in the Group and for which there is evidence of a recent actual pattern of short-term profit-taking.
- The financial asset qualifies as a derivative unless it is used as a designated and effective hedging instrument or as a financial guarantee.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for classification as at FVTOCI or amortized cost are classified as FVTPL.
Financial assets classified as FVTPL are measured at fair value at the end of each reporting period, with the associated gains or losses posted through profit or loss, unless they are part of a designated hedge.

Exchange rate gains and losses

The carrying amount of financial assets that are denominated in a foreign currency are translated using the closing rate each reporting period.

For assets measured at amortized cost and that are not part of a designated hedge, the corresponding gains or losses are also posted through profit or loss.

The exchange gains or losses on debt instruments classified as FVTOCI and that are not part of a designated hedge are posted to profit or loss on the basis of their amortized cost. Other exchange gains or losses are generally posted to the foreign currency translation reserve in other comprehensive income.

Exchange gains and losses on financial assets classified as FVTPL are posted through profit or loss, provided the instrument is not part of a designated hedge.

Exchange gains and losses on equity instruments classified as FVTOCI are posted to the foreign currency translation reserve in other comprehensive income.

Impairment of financial assets

The Group records loss allowances to account for expected credit losses on financial assets using the expected loss model, which it applies to its debt instruments measured at amortized cost or as FVTOCI and its lease receivables and contract assets that fall under the scope of IFRS 15. No impairment losses are recognized on equity instruments. The amount of expected credit losses is revised each reporting date in order to account of changes in the credit risk that have occurred since initial recognition.

The Group applies the simplified approach to its trade receivables and lease receivables. Under this approach, the lifetime expected credit losses are used to determine any impairment losses. This requires the Company to record impairment losses based on past loss ratios.

Significant increase in credit risk

The Company defines credit risk to be the risk that a contractual counterparty will not perform its contractual obligations, leading to a financial loss for the Group. In the course of its operating business, the Group is exposed to credit risks in its trade receivables or other financial instruments, for instance.

When assessing whether there has been a significant increase in the credit risk the Group considers the available quantitative and qualitative information that is relevant to the decision. This includes both historical and forward-looking information. Country-specific default rates experienced in the past are also referred to in order to determine the respective probability of default.

Forward-looking information includes information on the development of the sector in which the debtor operates. This information is sourced from industry experts, financial analysts or public bodies.

The following factors are considered when classifying the credit risk:

- Type of financial instrument
- Credit risk rating
- Type of collateral
- Date of first-time recognition
- Residual term
- Sector

At regular intervals, KATEK monitors whether these criteria are still valid for assessing the credit risk and adjusts them accordingly if they are no longer accurate.

Financial assets that are purchased or originated credit-impaired

A financial asset is purchased or originated credit-impaired when one or more of the following events have occurred:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments,
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses

Derecognition of a financial asset

The Group derecognizes a financial asset when, and only when, the contractual rights to receive cash flows from the financial asset expire or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to a third party.

If the Group does not transfer substantially all the risks and rewards of ownership, but retains control over a portion of the risks and rewards, the Group recognizes an asset commensurate to the Group’s continuing involvement in the asset and a corresponding liability for any consideration that the Group could be required to pay.

If the Group retains substantially all risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and a secured loan for the consideration received.

If a financial asset is fully written off, the difference between its carrying amount and the sum of consideration received or to be received is posted to profit or loss. For debt instruments classified as FVTOCI, the accumulated gains or losses attributable to the asset and recorded in other comprehensive income are reclassified to profit or loss. By contrast, the accumulated gains or losses on equity instruments classified as FVTOCI are not recycled through profit or loss but can be reclassified to the revenue reserves without affecting income.

Financial liabilities

Debt instruments and equity instruments are classified as either financial liabilities or as equity, depending on the economic content of the contractual relationship and their definitions.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the amount received upon issue less any directly allocable transaction costs. Transaction costs are costs that would not have been incurred had the instrument not been issued.

Repurchases of the reporting entity's own equity instruments are deducted directly from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

Financial liabilities

Financial liabilities are classified either as at amortized cost using the effective interest method or as FVTPL.

Financial liabilities classified as FVTPL

Financial liabilities are classified as FVTPL if the fair value option has been exercised, they relate to items that are held for trading or they contain contingent claims of a purchaser within the framework of a business combination in the sense of IFRS 3.

Financial liabilities classified as FVTPL are measured at fair value. Changes in fair value are posted through profit or loss unless they are a component of a designated hedge. Interest payments on the financial liability are considered in the process.

If the change in fair value can be attributed to a change in the credit risk of the liability, the associated gains or losses are posted to other comprehensive income without affecting income. Future changes are not posted through profit or loss. Rather they are reclassified to revenue reserves upon derecognition of the financial liability.

Derecognition of a financial liability

A financial liability is derecognized in full or in part when it is settled, repurchased or a debt waiver is issued. The difference between the carrying amount of the financial liability and the consideration paid and payable is posted through profit or loss.

Derivative financial instruments

Derivative financial instruments in the form of forward exchange transactions and similar currency derivatives are used by the KATEK Group to hedge against risks arising from fluctuations in exchange rates. Risks arising from changes in interest rates are hedged using interest swaps.

Derivative financial instruments are accounted for in accordance with the requirements of IFRS 9. Hedge accounting is applied to derivative financial instruments if they are part of a designated hedge. If not, they are recognized as separate instruments. Hedge accounting is used when the effects on profit or loss arising from changes in the market prices of the hedged items and the hedging instruments stand in a documented economic relationship to one another and the resulting offsetting effects on profit or loss occur in the same accounting period. If such a relationship qualifies as a designated hedge, the gains and losses from the hedged item and the hedging instrument are accounted for using the special rules on hedge accounting. Hedge accounting is basically optional in each particular case. However, hedge accounting may only be applied if certain criteria are met. The hedge relationship must be documented. Furthermore, the hedge relationship must be effective (economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate, the hedge ratio corresponds to the hedge ratio used for risk management purposes).

The KATEK Group did not apply hedge accounting in either the reporting period or the comparative period.

Derivative financial instruments are initially and subsequently recognized at fair value. The fair value of certain derivatives can be either positive or negative. They are recognized either as financial assets or as financial liabilities accordingly. The fair value must be determined in accordance with IFRS 13. If no quoted prices on an active market are available, fair value is measured using net present value techniques or option models whose material inputs (e.g. market price, interest rates) are based on quoted prices or directly or indirectly observable inputs.

4.12 Government grants

Government grants are recognized at fair value if there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expenses incurred are released to profit or loss as other income or deducted directly from the expense in the periods in which the expenses are recognized. At KATEK, government grants related to personnel are deducted directly from personnel expenses. Other grants are released to other operating income.

4.13 Income taxes

Current income taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the KATEK Group operates.

Deferred taxes are determined according to the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using the tax rates expected to apply in the period in which an asset is realized or a liability is settled. The measurement of deferred taxes considers the tax consequences arising from the nature in which an asset is realized or a liability settled.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. They are not discounted and are disclosed as non-current assets or non-current liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. This assessment is revised each reporting date.

Current and deferred taxes are charged or credited directly to equity if the taxes relate to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax liabilities have not been provided on undistributed earnings of equity investments to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is presented for all taxable temporary differences except those that originate from goodwill, which cannot be deducted for tax purposes.

Deferred tax assets also include tax credits that result from the expected utilization of unused tax losses and tax benefits in the following five years, and the realization of which can be assumed with sufficient certainty.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply based on tax laws that have been enacted or substantively enacted in the individual countries at the time of realization.

4.14 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations consist of the obligations of the Group arising from defined benefit plans.

The obligations under defined benefit plans are calculated using the projected unit credit method. The measurement of the defined benefit obligation is based on actuarial appraisals. These consider wage and salary trends and pension trends, which increase the amount of the obligation. As in the prior year, mortality rates and employee churn are based on the 2018 G mortality tables issued by Klaus Heubeck and the comparable mortality tables in foreign countries.

If pension obligations are fully covered by plan assets they are presented net. The measurement of pension provisions and the calculation of pension expenses is based on the defined benefit obligation. Actuarial gains and losses are recorded directly in equity taking deferred taxes into account. Past service cost is recorded immediately in profit and loss. Service cost is disclosed in personnel expenses while net interest of the addition to the provision and income from plan assets is recorded in financial expenses.

4.15 Other provisions

Other provisions are recognized for present legal or constructive obligations arising from past events that are more likely than not to lead to an outflow of resources embodying economic benefits and the obligation can be reliably measured.

They are measured at the best estimate of the most likely settlement amount or, if the probabilities are evenly distributed, at the expected value of the settlement amount. Provisions are only recognized for obligations towards third parties.

They are measured at full cost taking account of future cost increases.

Provisions for restructuring measures are recognized if a detailed formal restructuring plan has been drawn up and communicated to the parties affected and it is highly probable that the Company can no longer withdraw from the obligation.

Obligations towards personnel such as vacation pay, flexi-time credits and phased retirement obligations are reported under other liabilities.

Obligations arising from outstanding supplier invoices are presented under trade payables.

Where the time value of money is significant, non-current provisions due in more than one year are stated at their settlement amount discounted to the reporting date using the corresponding interest rates, depending on the underlying terms of the obligations.

4.16 Share-based payment transactions

The Company has operated a phantom stock program since 8 September 2020. This phantom stock program is accounted for as a cash-settled share-based payment transaction in accordance with IFRS 2 “Share-based Payment”. Correspondingly, the fair value of the services rendered by employees is deemed to be consideration for the cash settlement and recognized as a liability by posting an expense to profit or loss. However, as the fair value of services rendered by employees cannot be reliably measured, the liability is measured at the fair value of the stock appreciation rights. In the case of a cash-settled payment, the value of the liability needs to be remeasured each reporting date.

4.17 Contingent liabilities

Contingent liabilities represent possible obligations which are a result of a past events and whose existence depends on the occurrence of one or more uncertain future events that are not wholly within the control of the KATEK Group. Moreover, contingent liabilities are present obligations based on past events that are not, however, recognized because an outflow of resources embodying economic benefits to settle the obligation is not likely or cannot be reliably estimated. Contingent liabilities are therefore not recognized in the statement of financial position. Rather, they are disclosed and explained in the notes to the financial statements.

4.18 Estimates and assumptions

Judgement is exercised when applying accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

- Determining the fair values of assets and liabilities and the useful lives of assets is based on assessments and planning calculations by management. This also applies to the calculation of impairment losses on property, plant and equipment, intangible assets and financial assets.

- Impairment losses on doubtful debts are recognized in the form of loss allowances to cover the expected credit losses arising from the insolvency or unwillingness of the customer to settle the invoice.
- In the course of calculating potential impairment losses, forward-looking information is also referred to in order to derive the assumed probabilities of default and the expected losses.
- Other assumptions are needed in the calculation of current and deferred taxes. In particular, the ability of being able to generate the corresponding taxable income plays a significant role in assessing whether deferred tax assets can be utilized or not.
- Furthermore, the discount factors, expected wage and salary trends, pension trends and employee churn, as well as mortality rates, are key estimates used as inputs in the recognition and measurement of pension provisions.
- The Group has recognized restructuring provisions that are based on estimates of the payments required for severance payments and redundancy plans.
- The Company has approved a phantom stock program for selected executives. Information on the estimated inputs used in the measurement model to calculate the associated expenses can be found under note 24 other liabilities.
- In the course of impairment testing, assumptions are made during the calculation of the recoverable amount.
- In terms of revenue recognition, assumptions are needed at various places when assessing contracts with customers. This applies to the calculation of amounts that will not be realized due to customer returns, but also in the assumptions made regarding the use of discount allowed by customers and whether the volumes for bulk rebates and other sales deductions will be met.

In the cases of such estimation uncertainties, the best available information is drawn on to determine the circumstances on the reporting date. Actual figures may diverge from these estimates. The carrying amounts of those items that are subject to such uncertainties can be seen in the consolidated statement of financial position and the associated notes to the consolidated financial statements.

As at the date on which these consolidated financial statements were prepared, there are no indications of any significant changes being needed to the assumptions underlying recognition and measurement. To this extent, no notable adjustments are expected from today’s perspective to the assumptions, estimates or carrying amounts of the respective assets and liabilities.

B. Notes to the Items of the Consolidated Financial Statements

Notes to the consolidated statement of profit or loss

1. Revenue

KATEK develops and manufactures bespoke electronic components and systems for all kinds of industries. The key revenue streams are automotive, communication, consumer, industry, energy/solar, and medical technology.

The following table breaks down revenue by region:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Germany	297,500	170,602
Europe	97,646	79,661
Rest of world	19,055	10,738
	414,201	**261,002**

KATEK generated more than 10% of its total revenue from each of two customers in the year 2020 (prior year: one customer). The associated sales are attributable to the Automotive and the Consumer segments.

	2020		2019	
	EUR k	**%**	**EUR k**	**%**
Customer A	71,035	17.1	63,066	24.2
Customer B	41,937	10.1	0	0
Other customers	301,229	72.7	197,936	75.8
Revenue	**414,201**	**100.0**	**261,002**	**100.0**

2. Own work capitalized

Own work capitalized totaled EUR 2,285 k (prior year: EUR 118 k) in the financial year 2020. These relate primarily to internally constructed plant and equipment.

3. Other operating income

Other operating income breaks down as follows:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Bargain purchase from business acquisitions	0	1,344
Exchange rate gains	3,215	1,469
Releases of other provisions and liabilities to personnel	1,427	1,127
Income from the disposal of fixed assets	1,432	176
Reversals of loss allowances for trade receivables	417	98
Sundry other operating income	2,200	1,952
	8,691	**6,167**

In the prior year a bargain purchase of the bebro Group resulted in negative goodwill of EUR 1,344 k.

The release of other provisions and liabilities to personnel of a total amount of EUR 1,427 k relates mainly to warranties and obligations for employee and management bonuses.

Income from the disposal of non-current assets includes an amount of EUR 1,080 k from the sale of a property and sales of plant and equipment to the subsidiary, KATEK Frickenhausen.

Other operating income includes an amount of EUR 343 k (prior year: EUR 0 k) from government grants and subsidies as well as an amount of EUR 730 k from a settlement reached in a dispute with a customer.

Income from the measurement of financial instruments is presented in note 20 financial instruments.

4. Cost of materials

Cost of materials breaks down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Cost of raw materials, consumables and supplies and of purchased merchandise	275,497	179,202
Cost of purchased services	14,967	5,570
	290,464	**184,772**

5. Personnel expenses and number of employees

Personnel expenses developed as follows:

EUR k	31 Dec 2020	31 Dec 2019
Wages and salaries	70,738	44,816
Other social security contributions and welfare	13,776	9,606
	84,514	**54,422**

Personnel expenses were reduced by government subsidies of EUR 387 k granted on account of the corona crisis (prior year: EUR 0 k).

The average number of employees as at the reporting date came to 2,196 (prior year: 1,645) and breaks down as follows:

	31 Dec 2020	31 Dec 2019
Purchasing	71	52
Administrative	247	146
Sales	97	70
Marketing	2	2
Development	116	68
Production	1,664	1,307
	2,196	**1,645**

6. Depreciation and amortization

Of the total of depreciation, amortization and impairments, an amount of EUR 12,026 k (prior year: EUR 7,620 k) is allocable to property, plant and equipment and EUR 2,167 k (prior year: EUR 3,381 k) to intangible assets.

Depreciation of property, plant and equipment in the reporting period includes depreciation of EUR 380 k recorded on assets uncovered in the purchase price allocation (prior year: EUR 189 k). The amortization of intangible assets also includes the amortization of intangible assets uncovered in the purchase price allocation of EUR 1,628 k (prior year: EUR 3,019 k).

The depreciation of right-of-use assets recognized pursuant to IFRS 16 is presented in note 21 leases.

7. Other operating expenses

Other operating expenses break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Selling expenses	2,986	1,644
Operating expenses	12,643	8,803
License expenses, rents, leases	585	562
General administrative expenses	10,254	5,276
Exchange rate losses	1,912	1,751
Loss allowances on receivables/bad debts	279	491
Sundry other operating expenses.	6,026	1,129
	34,686	**19,656**

Selling expenses include outgoing freight of EUR 1,741 k (prior year: EUR 658 k), advertising expenses of EUR 158 k (prior year: EUR 281 k) and travel expenses of EUR 221 k (prior year: EUR 268 k).

Operating expenses include expenses for maintenance and technology of EUR 7,376 k (prior year: EUR 4,907 k), the cost of hired temps of EUR 4,438 k (prior year: EUR 3,181 k) and other personnel expenses, including training expenses, of EUR 829 k (prior year: EUR 715 k).

License expenses, rent and lease expenses of EUR 585 k (prior year: EUR 562 k) include expenses for short-term leases and leases of low-value assets of EUR 464 k (prior year: EUR 560 k). Sundry other operating expenses mainly consist of royalties not falling under the scope of IFRS 16 of EUR 85 k (prior year: EUR 2 k) and service charges and incidentals of EUR 36 k (prior year: EUR 0 k).

Among other items, administrative expenses include legal expenses and consulting fees of EUR 4,055 k (prior year: EUR 1,764 k) the costs of preparing the annual financial statements and auditing of EUR 657 k (prior year: EUR 419 k) as well as insurance premiums of EUR 1,409 k (prior year: EUR 752 k).

Sundry other operating expenses in the reporting year include an amount of EUR 5,158 k for restructuring measures that have already been initiated (prior year: EUR 0 k).

Expenses from the measurement of financial instruments are presented in note 20 financial instruments.

8. Financial result

The financial result breaks down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Financial income	148	59
Finance costs	-3,498	-2,857
Exchange rate differences	88	0
	-3,261	**-2,798**

Financial income of EUR 68 k originates from interest income on interest derivatives.

Finance costs include interest expenses on interest-bearing financial liabilities of EUR 2,695 k (prior year: EUR 2,509 k) and interest expenses on leases in accordance with IFRS 16 of EUR 545 k (prior year: EUR 176 k).

Exchange rate differences break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Exchange rate difference on derivatives	88	0
thereof unrealized	0	0
thereof realized	88	0
	88	**0**

Income and expenses from the measurement of financial instruments are presented in note 20 financial instruments.

9. Income taxes

Income taxes (expenses +/income -) break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Income taxes	1,174	618
Deferred taxes	-7,322	-3,212
Income tax expense (+)/income (-)	**-6,148**	**-2,594**

Domestic income tax comprises corporate income tax at 15% plus the solidarity surcharge of 5.5% on corporate income tax as well as trade tax levied in accordance with the multiplier of each municipality (average: 3.5) and the comparable taxes in foreign tax jurisdictions.

The differences to the expected tax expense determined by applying the average nominal tax rate of KATEK SE to group profit for the year and the actual tax expense payable by KATEK SE can be reconciled as follows.

The tax expense for the financial year can be reconciled to profit or loss for the period as follows:

EUR k	31 Dec 2020	31 Dec 2019
Earnings before tax	-4,556	-4,784
Income tax expense at a tax rate of 28.83% (prior year: 32.98%)	-1,314	-1,578
Effect of different tax rates at subsidiaries in other jurisdictions	-373	-481
Effect of changes in tax rate	306	0
Taxes for prior years	-2,958	-101
Impact of tax-free income / non-deductible expenses	535	568
Effect of non-deductible income taxes	6	42
Effect of permanent differences	-19	250
Loss allowances recognized on deferred taxes	-2,325	-982
Effect of tax-free bargain purchases	0	-357
Other effects	-7	45
Income tax income recorded in the statement of profit or loss	**-6,148**	**-2,594**

The tax rate used in the above tax reconciliation for the years 2020 and 2019 corresponds to the corporate income tax rate to be applied by the Company on taxable income in Germany in accordance with German tax legislation.

The actual tax rates are as follows:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Income taxes	1,174	618
Deferred taxes	-7,322	-3,212
Actual income taxes	**-6,148**	**-2,594**
Earnings before taxes	-4,556	-4,784
Actual tax rate	134.93%	54.21%

No deferred tax assets were recognized on unused tax losses for corporate income tax purposes and comparable foreign taxes of EUR 7,704 k (prior year: EUR 11,489 k) or on unused tax losses for trade tax purposes of EUR 970 k (prior year: EUR 10,784 k).

The differences on which deferred tax assets were recognized can be attributed to the following underlying items:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Goodwill	0	0
Other intangible assets	25	16
Property, plant and equipment	36	49
Investments and other financial assets	0	80
Inventories	147	137
Trade receivables	3	6
Other assets	137	882
Pension provisions	499	458
Other provisions	140	212
Personnel liabilities	1,158	146
Liabilities	649	468
Loss carry-forwards	8,760	4,367
Other	0	78
Allowances	-880	-3,277
Deferred tax assets	**10,675**	**3,622**
Offsetting	-2,616	-1,726
Deferred tax assets	**8,059**	**1,896**

The increase in non-impaired deferred tax assets on loss carry-forwards results primarily from new consolidated tax groups established within the Group, loss carry-forwards that had not been previously recognized and originated prior to the business combination (which can now be used on account of a restructuring rule) and changes to foreign tax legislation pertaining to the utilization or extinguishment of unused tax losses.

The differences on which deferred tax liabilities were recognized can be attributed to the following underlying items:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Other intangible assets	-2,265	-2,584
Property, plant and equipment	-860	-989
Investments and other financial assets	0	0
Inventories	0	0
Receivables	0	-6
Other assets	-2	-35
Pension provisions	0	0
Other provisions	0	0
Liabilities	-363	-16
Other	-8	-94
Deferred tax liabilities	**-3,498**	**-3,723**
Offsetting	2,616	1,726
Deferred tax liabilities	**-882**	**-1,997**

Notes to the Consolidated Statement of Financial Position

10. Intangible assets

The carrying amount of intangible assets breaks down on the reporting date as follows:

EUR k	31 Dec 2020	31 Dec 2019
Goodwill	8,521	8,521
Concessions, industrial rights and patents	1,201	761
Customer base	7,008	8,069
Technology and patents	1,736	1,194
Order backlog	0	358
	18,465	**18,903**

The development of intangible assets for the financial year 2020 and the prior year are presented in the following table:

	Cost						
Intangible assets (EUR k)	**1 Jan 2020**	**Additions at cost**	**Reclassifications at cost**	**Disposals at cost**	**Cons. group**	**Currency**	**31 Dec 2020**
Goodwill	8,521	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	5,860	1,025	0	-131	3	-11	6,747
Customer base	13,442	0	0	0	0	0	13,442
Technology and patents	1,374	0	0	0	750	0	2,124
Order backlog	1,409	0	0	0	0	0	1,409
31 December 2020	**30,607**	**1,025**	**0**	**-131**	**753**	**-11**	**32,244**

	Cost						
Intangible assets (EUR k)	**1 Jan 2019**	**Additions at cost**	**Reclassifications at cost**	**Disposals at cost**	**Cons. group**	**Currency**	**31 Dec 2019**
Goodwill	0	0	0	0	8,521	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	3,624	375	8	-23	1,872	3	5,860
Customer base	8,013	0	0	0	5,429	0	13,442
Technology and patents	0	0	0	0	1,374	0	1,374
Order backlog	784	0	0	0	626	0	1,409
31 December 2019	**12,421**	**375**	**8**	**-23**	**17,822**	**3**	**30,607**

Intangible assets (EUR k)	Depreciation and amortization						Book value
	1 Jan 2020	Additions to impairment losses	Disposals of impairment losses	Impairment losses in the cons. group	Currency	31 Dec 2020	31 Dec 2020
Goodwill	0	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	-5,098	-540	82	0	10	-5,546	1,201
Customer base	-5,374	-1,061	0	0	0	-6,435	7,008
Technology and patents	-180	-209	0	0	0	-389	1,736
Order backlog	-1,052	-358	0	0	0	-1,409	0
31 December 2020	**-11,704**	**-2,167**	**82**	**0**	**10**	**-13,778**	**18,465**

Intangible assets (EUR k)	Depreciation and amortization						Book value
	1 Jan 2019	Additions to impairment losses	Disposals of impairment losses	Impairment losses in the cons. group	Currency	31 Dec 2019	31 Dec 2019
Goodwill	0	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	-3,344	-362	18	-1,407	-3	-5,098	761
Customer base	-3,129	-2,244	0	0	0	-5,374	8,069
Technology and patents	0	-180	0	0	0	-180	1,194
Order backlog	-457	-594	0	0	0	-1,052	358
31 December 2019	**-6,930**	**-3,381**	**18**	**-1,407**	**-3**	**-11,704**	**18,903**

Allocation to cash-generating units

According to IFRS 3, goodwill is not amortized over its useful life but is instead subject to an annual impairment test which compares the carrying amount to the recoverable amount on the reporting date. The recoverable amount is the higher of its fair value less the costs of disposal and value-in-use.

Cash-generating units

When identifying its cash-generating units, the KATEK Group refers to the legal structure which also corresponds to the management reporting structure (referred to as the management approach).

The following cash-generating units were identified:

- KATEK Memmingen Group
- KATEK Mauerstetten
- Katek Grassau Group
- bebro Group
- eSystems GmbH

The carrying amount of goodwill has been allocated to the cash-generating units as follows:

EUR k	31 Dec 2020	31 Dec 2019
KATEK Memmingen Group	0	0
KATEK Mauerstetten	8,521	8,521
Katek Grassau Group	0	0
bebro Group	0	0
eSystems	0	0
	8,521	**8,521**

The recoverable amount of the KATEK Mauerstetten cash-generating unit (CGU) is calculated by assessing its value in use on the basis of future cash flows taken from the latest budget with a detailed planning horizon of five years and discounted using a before-tax interest rate of 9.62% (prior year: 9.54%).

The market risk premium for the CGUs is a key component of the discount rate. At the KATEK Mauerstetten CGU this amounts to 7.5% (prior year: 7.5%). The beta was determined by reference to the two-year average of the respective peer group. For the KATEK Mauerstetten CGU it has been set at 0.97 (prior year: 0.81).

The leverage between the cost of capital and the cost of debt is based on the average debt ratio displayed by the peer group over the last two years. The tax rate applied to the KATEK Mauerstetten CGU amounts to 26.33% (prior year: 26.33%).

For the entire period covered by the financial budget, the cash flow projections are based on the same anticipated gross margins and the same estimated price increases for raw materials. The cash flow projections were extrapolated to the terminal phase after the detailed five-year planning period assuming a constant growth rate of 0.5% (prior year: 0.5%). This corresponds to the average growth rate on the market in which KATEK Mauerstetten operates. A comparison of the recoverable amount and the carrying amount of the CGU did not reveal any indication of impairment of the goodwill carried for the KATEK Mauerstetten CGU. A sensitivity analysis was conducted for the scenario of a simultaneous reduction of 10% in the budgeted EBIT in each year of the budget planning and a simultaneous increase of 1% in the discount rate. Based on these changes to the parameters, an impairment loss of EUR 2,983 k would have to be recorded on the goodwill carried for the KATEK Mauerstetten CGU.

11. Property, plant and equipment

The carrying amounts of property, plant and equipment are as follows as at the reporting date:

EUR k	31 Dec 2020	31 Dec 2019
Own land and buildings	31,581	20,855
Plant and machinery	22,832	20,147
Operating equipment, furniture and fixtures	6,857	5,808
Payments on account	924	421
Assets under construction	6,074	2,461
	68,269	**49,692**
of which right-of-use assets from leases	29,208	18,812

KATEK has pledged property, plant and equipment of EUR 5,054 k (prior year: EUR 3,441 k) as security for its existing liabilities to banks. KATEK is not entitled to pledge these assets to any other party or to dispose of them.

The carrying amounts also include the right-of-use assets recognized in accordance with IFRS 16. The details are presented in the statement of changes in property, plant and equipment. The other disclosures required by IFRS 16 are presented in note 21 leases.

In detail, non-current assets developed in financial year 2020 and the prior year as follows:

Property, plant and equipment (EUR k)	Cost							
	1 Jan 2020	Additions at cost	Remeasurements at cost	Reclassifications at cost	Disposals at cost	Cons. group	Currency	31 Dec 2020
Own land and buildings	31,384	8,995	4,043	217	-6,606	2,196	-180	40,050
Own land and buildings	20,527	791	0	217	-4,487	1	-180	16,869
Right-of-use assets to land and buildings	10,857	8,204	4,043	0	-2,118	2,196	0	23,181
Plant and machinery	54,029	7,611	0	1,421	-4,461	667	-374	58,894
Plant and machinery	43,054	7,270	0	1,665	-4,357	667	-188	48,112
Right-of-use assets to plant and equipment	10,975	341	0	-244	-104	0	-187	10,782
Operating equipment, furniture and fixtures and other	20,536	3,525	33	35	-1,510	35	-61	22,593
Operating equipment, furniture and fixtures	20,076	2,884	0	35	-1,448	20	-61	21,506
Right-of-use assets to operating equipment, furniture and fixtures	460	641	33	0	-62	15	0	1,087
Assets under construction and payments on account	2,882	5,766	0	-1,673	0	0	24	6,998
31 December 2020	**108,832**	**25,897**	**4,076**	**0**	**-12,577**	**2,899**	**-591**	**128,535**

Property, plant and equipment (EUR k)	Cost							
	1 Jan 2019	Additions at cost	Remeasurements at cost	Reclassifications at cost	Disposals at cost	Cons. group	Currency	31 Dec 2019
Own land and buildings	9,507	1,209	6,491	79	-65	14,105	58	31,384
Own land and buildings	9,507	291	0	79	-12	10,605	58	20,527
Right-of-use assets to land and buildings	0	918	6,491	0	-53	3,501	0	10,857
Plant and machinery	22,852	2,538	124	209	-794	28,972	128	54,029
Plant and machinery	22,852	1,184	-2,723	88	-622	22,207	68	43,054
Right-of-use assets to plant and equipment	0	1,354	2,847	121	-172	6,765	60	10,975
Operating equipment, furniture and fixtures and other	9,942	1,685	206	35	-573	9,222	19	20,536
Operating equipment, furniture and fixtures	9,942	1,603	0	35	-565	9,042	19	20,076
Right-of-use assets to operating equipment, furniture and fixtures	0	82	206	0	-8	180	0	460
Assets under construction and payments on account	187	2,966	0	-331	-1,238	1,292	5	2,882
31 December 2019	**42,487**	**8,397**	**6,821**	**-8**	**-2,669**	**53,592**	**211**	**108,832**

Property, plant and equipment (EUR k)	Depreciation and amortization 1 Jan 2020	Additions to impairment losses	Reclassifications of impairment losses	Disposals of impairment losses	Impairment losses in the cons. group	Currency	31 Dec 2020	Book value 31 Dec 2020
Own land and buildings	-10,529	-3,271	0	5,269	0	61	-8,469	31,581
Own land and buildings	-8,569	-706	0	3,150	0	61	-6,064	10,805
Right-of-use assets to land and buildings	-1,959	-2,565	0	2,118	0	0	-2,406	20,775
Plant and machinery	-33,883	-6,474	0	4,106	0	190	-36,062	22,832
Plant and machinery	-32,476	-4,473	-149	4,001	0	192	-32,905	15,207
Right-of-use assets to plant and equipment	-1,407	-2,001	149	104	0	-3	-3,157	7,625
Operating equipment, furniture and fixtures and other	-14,729	-2,281	0	1,214	0	59	-15,736	6,857
Operating equipment, furniture and fixtures	-14,615	-2,054	0	1,153	0	60	-15,456	6,050
Right-of-use assets to operating equipment, furniture and fixtures	-114	-228	0	62	0	0	-280	807
Assets under construction and payments on account	0	0	0	0	0	0	0	6,998
31 December 2020	**-59,140**	**-12,026**	**0**	**10,589**	**0**	**310**	**-60,267**	**68,269**

Property, plant and equipment (EUR k)	Depreciation and amortization: 1 Jan 2019	Additions to impairment losses	Reclassifications of impairment losses	Disposals of impairment losses	Impairment losses in the cons. group	Currency	31 Dec 2019	Book value: 31 Dec 2019
Own land and buildings	-2,755	-2,442	0	56	-5,368	-20	-10,529	20,855
Own land and buildings	-2,755	-430	0	3	-5,368	-20	-8,569	11,958
Right-of-use assets to land and buildings	0	-2,012	0	53	0	0	-1,959	8,898
Plant and machinery	-12,175	-3,680	0	594	-18,559	-64	-33,883	20,147
Plant and machinery	-12,175	-3,222	770	574	-18,362	-62	-32,476	10,578
Right-of-use assets to plant and equipment	0	-458	-770	20	-197	-2	-1,407	9,568
Operating equipment, furniture and fixtures and other	-7,589	-1,498	0	531	-6,153	-19	-14,729	5,808
Operating equipment, furniture and fixtures	-7,589	-1,377	0	523	-6,153	-19	-14,615	5,461
Right-of-use assets to operating equipment, furniture and fixtures	0	-122	0	8	0	0	-114	346
Assets under construction and payments on account	0	0	0	0	0	0	0	2,882
31 December 2019	**-22,519**	**-7,620**	**0**	**1,182**	**-30,080**	**-103**	**-59,140**	**49,692**

There were no significant assets falling under the scope of IAS 23 in the reporting year.

12. Inventories

Inventories break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Raw materials, consumables and supplies	69,563	63,156
Work in process	21,276	21,968
Finished goods and merchandise	15,295	16,139
Payments on account	826	200
	106,961	**101,463**

An amount of EUR 290,464 k was expensed during the financial year in connection with inventories (prior year: EUR 184,772 k).

The cost of inventories recorded in the cost of material in 2020 included write-ups of EUR 1,100 k (prior year: write-downs of EUR 1,501 k).

Inventories of EUR 15,090 k (prior year: EUR 23,956 k) were pledged as collateral for loans.

Inventories are expected to be realized within twelve months.

13. Trade receivables

EUR k	31 Dec 2020	31 Dec 2019
Trade receivables	23,804	17,537
Bad debt allowances	-458	-674
	23,346	**16,863**

Generally, the Group grants terms of payment of between 30 and 45 days. The Group does not charge the customers any interest for this period. Thereafter, contractual late-payment penalties on the outstanding amount are charged, depending on the individual case and the customary patterns in the respective country.

Trade receivables whose collection has become doubtful are accounted for by loss allowances.

These impairment losses on trade receivables are explained in note 20.

The carrying amounts of trade receivables generally correspond to a reasonable estimation of their fair values. The carrying amount of trade receivables is net of the volume of factored receivables that were derecognized in the year of EUR 31,238 k (prior year: EUR 20,834 k).

All trade receivables are due within one year.

The Group has pledged trade receivables of EUR 2,736 k (prior year: EUR 2,607 k) as collateral for its existing liabilities to banks.

14. Other assets and prepaid expenses

Other assets break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Tax refund claims	562	804
Receivables from employees	66	0
Prepaid expenses	429	605
Other assets	57	67
	1,114	**1,476**

Tax refund claims consist of VAT receivables.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits. Their carrying amount is a reasonable estimate of their fair value. Bank deposits are kept for the sole purpose of short-term cash management.

An amount of EUR 65 k (prior year: EUR 0 k) is barred from disposal on the basis of the existing factoring agreements.

16. Equity

Subscribed capital

The issued capital of KATEK SE amounts to EUR 146,400 (prior year: EUR 120,000) and is fully paid in. It consists of 146,400 common no-par value bearer shares. By resolution of the Annual General Meeting on 29 September 2020 and entry in the commercial register on 30 October 2020, the share capital was increased by contribution in kind in return for the issue of 26,400 no par value shares at EUR 1 each.

Capital reserve

The capital reserve amounts to EUR 48,853,600 (prior year: EUR 4,880,000) and was increased by EUR 43,973,600 within the framework of a capital increase in return for contribution in kind by resolution of the Annual General Meeting on 29 September 2020, entered in the commercial register on 30 October 2020.

Revenue reserves

The revenue reserves comprise the earnings of past periods of the consolidated entities and other components of equity (other comprehensive income) which consists of the reserve for actuarial gains and losses and the foreign currency translation reserve.

The reserve for actuarial gains and losses increased in financial year 2020 by EUR 143 k to EUR -111 k (prior year: EUR -254 k). The effects of remeasuring the defined benefit obligation is posted directly to other comprehensive income and accumulated in the reserve for actuarial gains and losses.

The foreign currency translation reserve decreased in financial year 2020 by EUR 155 k to EUR -139 k (prior year: EUR 16 k). Exchange rate differences arising from the translation of the functional currency of foreign operations into the presentation currency of the Group are recorded directly in other comprehensive income and accumulated in the reserve for foreign currency translation.

17. Employee benefits

Pensions

Provisions for pensions and similar obligations are recorded as a result of benefit plans for old age, disability and surviving dependents' pension commitments. Pensions are generally based on the length of service, the compensation received and level of the employee receiving the pension within the organization. The direct and indirect obligations comprise current pensions and vested benefits for future benefits and retirement benefits.

Actuarial assumptions:

The benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary trends and pension increases.

The actuarial assumptions used by the consolidated entities lie within the following ranges:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Interest rate	0.60%	0.75%
Salary trend	0.0 - 2.0%	n.a.
Pension increases – separate commitments	1.25%	1.25%

Development of the DBO and similar obligations

EUR k	**2020**	**2019**
1 Jan	3,495	1,377
Reclassification due to a change in presentation	82	0
Service cost	35	0
Interest expense (+) and interest income (-)	21	20
Actuarial gains (-) and losses (+)	-200	135
Business combinations	529	2,438
Pension payments	-93	-475
31 Dec	**3,869**	**3,495**

A pension obligation of EUR 82 k that had been presented under other provisions in the prior year was presented under provisions for pensions and similar obligations in the reporting year.

The most significant developments in plan assets were as follows:

EUR k	**2020**	**2019**
1 Jan	2,069	927
Income/expenses affecting plan assets	-136	24
Contributions by employer	0	0
Pension payments	0	0
Business combinations	0	1,118
31 Dec	**1,933**	**2,069**

Plan assets largely consist of the fair values of life insurance policies communicated by the insurance carriers used to cover the pension commitments of the KATEK Group. In addition, plan assets consist of cash and cash equivalents and other asset categories. The fair values of the most significant asset categories on the reporting date are presented below:

EUR k	31 Dec 2020	31 Dec 2019
Pension liability insurance	1,509	1,666
Cash and cash equivalents	339	309
Real estate	85	93
	1,933	**2,069**

As in the prior year, the fair values of pension insurance policies were determined using the valuation techniques employed by the insurance carriers and not being reference to prices quoted on active markets.

The KATEK Group expects undiscounted pension payments of EUR 150 k (prior year: EUR 147 k).

The following amounts have been recorded for defined benefit plans in comprehensive income:

EUR k	31 Dec 2020	31 Dec 2019
Actuarial gain (-)/loss (+) due to changes in financial assumptions	-191	135
Net interest expenses	21	20
Amounts presented in the statement of comprehensive income	**-170**	**155**

The effects of remeasuring the defined benefit obligation is posted to other comprehensive income.

The obligations of the Company from defined benefit plans as reported in the statement of financial position are as follows:

EUR k	31 Dec 2020	31 Dec 2019
Net present value of the defined benefit obligations	3,869	3,495
Fair value of plan assets	-1,933	-2,069
Funding deficit	**1,936**	**1,426**
Reconciliation to carrying amounts		
Employee benefits	64	21
Provisions for pensions and similar obligations	**2,000**	**1,447**

Employee benefits also includes a debit amount of EUR 200 k arising from the surplus of plan assets of EUR 796 k after deducting the associated phased retirement obligations of EUR 596 k.

The relevant actuarial parameters used to measure defined benefit obligations are the discount rate, expected salary increases and mortality. The sensitivity analyses presented below have been conducted on the basis of a prudent assessment of possible changes to the respective assumptions on the reporting date with all other assumptions remaining unchanged.

- If the discount rate increased (decreased) by 100 basis points the defined benefit obligation would decrease by EUR 488 k (prior year: EUR 224 k) (increase by EUR 530 k (prior year: EUR 267 k)).
- If the anticipated pension trend were 0.25% higher (lower), the defined benefit obligation would increase by EUR 52 k (prior year: EUR 68 k) (decrease by EUR 100 k (prior year: EUR 65 k)).

The above sensitivity analyses may not be seen as representative of the actual changes in defined benefit obligations as it is unlikely that the changes in the assumptions made would occur in isolation as they are interrelated.

The weighted average residual term of the defined benefit obligations came to 14.0 years as at 31 December 2020 (prior year: 11.6 years).

18. Other provisions

Other provisions break down over the corresponding terms as follows:

EUR k	31 Dec 2020 Current	31 Dec 2020 Non-current	31 Dec 2019 Current	31 Dec 2019 Non-current
Other provisions				
Warranty provisions	3,185	162	3,266	78
Accruals for pending losses	0	0	258	0
Other	5,936	279	536	0
	9,121	**440**	**4,061**	**78**

EUR k	1 Jan 2020	Utilization	Reversal	Additions	Discounting	31 Dec 2020
Other provisions						
Warranty provisions	3,344	-943	-467	1,415	-2	3,347
Provisions for potential losses	258	-255	-4	0	0	0
Other	536	-41	-191	5,910	0	6,214
	4,138	**-1,238**	**-662**	**7,325**	**-2**	**9,561**

The provisions for warranties are based on the best estimate of management of the present value of the outflow of resources embodying benefits needed to settle the obligations arising from the guarantees issued by the Group on the basis of the sale of goods and services under the local legislation. The estimate was based on past experience with warranties and can fluctuate due to materials, production processes or other factors affecting production quality.

The provision for onerous contracts corresponds to the expected costs needed to complete customer contracts. This represents the best estimate of local management and can fluctuate in future due to adjustments to labor costs and material. The expected costs amount to EUR 0 k in 2020 (prior year: EUR 258 k).

Other current provisions contain an amount of EUR 5,158 k (prior year: EUR 0 k) for the cost of restructuring plans that have already been initiated.

Other non-current provisions contain an amount of EUR 213 k (prior year: EUR 0 k) for the cost of restoration obligations related to the lease of operating premises.

19. Liabilities to banks

Liabilities to banks break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Non-current loans	38,967	29,050
Current loans	47,510	30,670
	86,476	**59,720**

The Group reports liabilities to banks of EUR 86,476 k as at the reporting date (prior year: EUR 59,720 k).

Short-term loans include amounts drawn on overdraft facilities of EUR 31,871 k (prior year: EUR 1,980 k) which are currently subject to interest of 0.75% and 1.5%. The other loans of EUR 54,605 k (prior year: EUR 57,740 k) have terms of between 3 months and 6 years and bear interest at rates between 1.10% and 2.50%.

The shares held in KATEK Mauerstetten GmbH, Mauerstetten, KATEK Frickenhausen GmbH, Frickenhausen, and eSystems MTG GmbH, Wendlingen am Neckar, serve as collateral for loans of EUR 25,600 k.

Loan liabilities of EUR 8,214 k carried by a subsidiary are based on an agreement that requires certain covenants to be observed. These consist of a defined equity ratio and a defined dynamic debt ratio. Compliance with the agreed covenants is reviewed each quarterly closing date. All agreements were complied with on the reporting date for the financial year.

20. Financial instruments

Other **financial assets** include equity investments of EUR 8 k (prior year: EUR 8 k). These consist of the equity carried in Zamm GmbH and Franken Solar S.R.L.

Other current financial assets break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Current receivables from derivative financial instruments	0	103
Receivables from factoring arrangements	5,078	2,625
Other current financial assets	3,232	2,401
	8,311	**5,129**

In the prior year, the current receivables from derivative financial instruments consisted of the positive market value of forward exchange contracts which were realized in the reporting year.

Other current financial assets contain an amount of EUR 2,789 k deposited on an escrow account. This item relates to an outstanding purchase price receivable arising from a sale of property in 2020.

Other non-current financial assets increased marginally to EUR 57 k (prior year: EUR 46 k) and consist mainly of security deposits.

Other current financial liabilities break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Current liabilities from derivative financial instruments	0	178
Current lease liabilities	5,206	3,568
Current financial liabilities to shareholders	7,794	0
Other current financial liabilities	1,593	287
	14,594	**4,033**

Current financial liabilities primarily consist of financial liabilities towards shareholders of EUR 7,794 k (prior year: EUR 0 k). Other current financial liabilities include finance liabilities related to the cost of plant and machinery of EUR 1,089 k (prior year: EUR 0 k).

In the prior year, the current liabilities from derivative financial instruments consisted of the negative market value of forward exchange contracts which were realized in the reporting year.

Other non-current financial liabilities break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Non-current liabilities from derivative financial instruments	147	136
Non-current lease liabilities	24,779	15,682
Other non-current financial liabilities	3,780	0
Non-current financial liabilities to shareholders	3,000	63,184
	31,707	**79,002**

Other non-current financial liabilities in the reporting year consist solely of finance liabilities related to the cost of plant and machinery.

Non-current financial liabilities towards shareholders decreased from EUR 63,184 k in the prior year to EUR 3,000 k. The decrease is largely due to the contribution of loan receivables of EUR 44,000 k by certain shareholders to the equity of the parent company. Moreover, shareholder loans of EUR 7,794 k were presented under current financial liabilities in the reporting year. Non-current liabilities from derivative financial instruments in both the reporting year and the prior year originate from the negative market value of an interest swap.

More information on liabilities from leases is presented in note 21 leases.

Classification and fair values

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2020. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classification.

			Measurement pursuant to IFRS 9					
Financial instruments **EUR k**	**Category pursuant to IFRS 9**	**Carrying amount as at 31 Dec 2020**	**Amortized cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Measurement pursuant to IFRS 9**	**of which assets and liabilities falling under IFRS 16**	**Fair value as at 31 Dec 2020**
Assets								
Trade receivables	AC	23,346	23,346	0	0	**23,346**	**0**	**23,346**
Other financial assets	AC	8	8	0	0	**8**	**0**	**8**
Other non-current financial assets	AC	57	57	0	0	**57**	**0**	**57**
Other current financial assets		8,311	8,311	0	0	**8,311**	**0**	**8,311**
(thereof other current financial assets)	*AC*	*3,232*	*3,232*	*0*	*0*	***3,232***	***0***	***3,232***
(thereof receivables from factoring arrangements)	*AC*	*5,078*	*5,078*	*0*	*0*	***5,078***	***0***	***5,078***
(thereof current receivables from derivative financial instruments)	*FVTPL*	*0*	*0*	*0*	*0*	***0***	***0***	***0***
Cash and cash equivalents	AC	35,453	35,453	0	0	**35,453**	**0**	**35,453**
Equity and liabilities								
Current loans	AC	47,510	47,510	0	0	47,510	0	47,510
Non-current loans	AC	38,967	38,967	0	0	38,967	0	38,967
Trade payables	AC	43,421	43,421	0	0	**43,421**	**0**	**43,421**
Other non-current financial liabilities		31,707	6,780	0	147	**6,928**	**24,779**	**31,707**
(thereof non-current financial liabilities to shareholders)	*AC*	*3,000*	*3,000*	*0*	*0*	***3,000***	***0***	***3,000***
(thereof other non-current financial liabilities)	*AC*	*3,780*	*3,780*	*0*	*0*	***3,780***	***0***	***3,780***
(thereof non-current liabilities from derivative financial instruments)	*FVTPL*	*147*	*0*	*0*	*147*	***147***	***0***	***147***
(thereof non-current lease liabilities)	*n.a.*	*24,779*	*0*	*0*	*0*	***0***	***24,779***	***24,779***
Other current financial liabilities		14,594	9,388	0	0	**9,388**	**5,206**	**14,594**
(thereof current financial liabilities to shareholders)	*AC*	*7,794*	*7,794*	*0*	*0*	***7,794***	***0***	***7,794***
(thereof other current financial liabilities)	*AC*	*1,593*	*1,593*	*0*	*0*	***1,593***	***0***	***1,593***
(thereof current liabilities from derivative financial instruments)	*FVTPL*	*0*	*0*	*0*	*0*	***0***	***0***	***0***
(thereof current lease liabilities)	*n.a.*	*5,206*	*0*	*0*	*0*	***0***	***5,206***	***5,206***

Due to rounding, sums may differ from the exact result of adding the individual figures.

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2019. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classification.

Financial instruments EUR k	Category pursuant to IFRS 9	Carrying amount as at 31 Dec 2019	Measurement pursuant to IFRS 9 Amortized cost	 Fair value through OCI	 Fair value through profit or loss	Measurement pursuant to IFRS 9	of which assets and liabilities falling under IFRS 16	Fair value as at 31 Dec 2019
Assets								
Trade receivables	AC	16,863	16,863	0	0	**16,863**	**0**	**16,863**
Other financial assets	AC	8	8	0	0	**8**	**0**	**8**
Other non-current financial assets	AC	46	46	0	0	**46**	**0**	**46**
Other current financial assets		5,129	5,026	0	103	**5,129**	**0**	**5,129**
(thereof other current financial assets)	*AC*	*2,401*	*2,401*	*0*	*0*	***2,401***	***0***	***2,401***
(thereof receivables from factoring arrangements)	*AC*	*2,625*	*2,625*	*0*	*0*	***2,625***	***0***	***2,625***
(thereof current receivables from derivative financial instruments)	*FVTPL*	*103*	*0*	*0*	*103*	***103***	***0***	***103***
Cash and cash equivalents	AC	10,429	10,429	0	0	10,429	0	10,429
Equity and liabilities								
Current loans	AC	30,670	30,670	0	0	**30,670**	**0**	**30,670**
Non-current loans	AC	29,050	29,050	0	0	**29,050**	**0**	**29,050**
Trade payables	AC	22,554	22,554	0	0	**22,554**	**0**	**22,554**
Other non-current financial liabilities		79,002	63,184	0	136	**63,320**	**15,682**	**79,002**
(thereof non-current financial liabilities to shareholders)	*AC*	*63,184*	*63,184*	*0*	*0*	***63,184***	***0***	***63,184***
(thereof other non-current financial liabilities)	*AC*	*0*	*0*	*0*	*0*	***0***	***0***	***0***
(thereof non-current liabilities from derivative financial instruments)	*FVTPL*	*136*	*0*	*0*	*136*	***136***	***0***	***136***
(thereof non-current lease liabilities)	*n.a.*	*15,682*	*0*	*0*	*0*	***0***	***15,682***	***15,682***
Other current financial liabilities		4,033	287	0	178	**465**	**3,568**	**4,033**
(thereof current financial liabilities to shareholders)	*AC*	*0*	*0*	*0*	*0*	***0***	***0***	***0***
(thereof other current financial liabilities)	*AC*	*287*	*287*	*0*	*0*	***287***	***0***	***287***
(thereof current liabilities from derivative financial instruments)	*FVTPL*	*178*	*0*	*0*	*178*	***178***	***0***	***178***
(thereof current lease liabilities)	*n.a.*	*3,568*	*0*	*0*	*0*	***0***	***3,568***	***3,568***

Due to rounding, sums may differ from the exact result of adding the individual figures.

IFRS 13 governs fair value measurement and the associated disclosures required in the notes. Fair value is defined as that price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are allocated to the three levels of the fair value hierarchy in accordance with IFRS 13. The individual levels of the fair value hierarchy are defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: information other than quoted market prices that are observable either directly or indirectly

Level 3: information on assets and liabilities that is not based on observable market prices

The calculation of fair value in level 1 of the hierarchy is determined by referring to prices quoted on an active market (unadjusted) for identical assets or liabilities to which KATEK had access on the reporting date.

The fair value of instruments allocated to level 2 of the hierarchy is determined using a discounted cash flow model and inputs other than quoted prices included within level 1, that are observable either directly or indirectly.

The fair value of instruments in level 3 of the hierarchy is measured using valuation techniques based on inputs that are not observable on active markets.

The assessment of whether a financial asset or financial liability measured at fair value should be reclassified to a different level of the fair value hierarchy is made at the end of each respective reporting period. No such reclassifications were made in the reporting period.

Equity instruments are allocated to the category of at fair value through profit or loss.

The following table presents the levels of the fair value hierarchy of assets and liabilities measured at fair value:

	31 Dec 2020			31 Dec 2019		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Other current financial assets	0	0	0	0	103	0
(thereof current receivables from derivative financial instruments)	*0*	*0*	*0*	*0*	*103*	*0*
Equity and liabilities						
Other non-current financial liabilities	0	147	0	0	136	0
(thereof non-current liabilities from derivative financial instruments)	*0*	*147*	*0*	*0*	*136*	*0*
Other current financial liabilities	0	0	0	0	178	0
(thereof current liabilities from derivative financial instruments)	*0*	*0*	*0*	*0*	*178*	*0*

Derivative financial instruments are measured by recognized external financial partners using the latest market data and applying customary market methods.

The **development of cash-effective and non-cash-effective changes to financial liabilities** is presented in the following table:

	1 Jan 2020	Cash-effective changes	Non-cash-effective changes: Additions to consolidated group	Non-cash-effective changes: Change in fair value	Non-cash-effective changes: Effects of changes in foreign exchange rates	Non-cash-effective changes: Additions/Other	31 Dec 2020
Liabilities to banks (loans)	57,740	-3,121	0	0	-13	0	54,605
Liabilities to banks (overdraft)	1,980	29,854			37		31,871
Financial liabilities to shareholders	63,185	-8,511	0	0	0	-43,880	10,794
Other financial liabilities	0	4,870	0	0	0	0	4,870
Lease liabilities	19,250	-5,283	2,211	0	0	13,808	29,985
Total liabilities from financing activities	**142,155**	**17,809**	**2,211**	**0**	**23**	**-30,072**	**132,125**

	1 Jan 2019	Cash-effective changes	Non-cash-effective changes: Additions to consolidated group	Non-cash-effective changes: Change in fair value	Non-cash-effective changes: Effects of changes in foreign exchange rates	Non-cash-effective changes: Additions/Other	31 Dec 2019
Liabilities to banks (loans)	24,652	25,981	7,278	0	-170	0	57,740
Liabilities to banks (overdraft)	0	-485	2,478		-13		1,980
Financial liabilities to shareholders	27,892	33,610	0	0	0	1,683	63,185
Lease liabilities*	8,924	-2,776	10,483	0	11	2,608	19,250
Total liabilities from financing activities	**61,468**	**56,330**	**20,239**	**0**	**-173**	**4,291**	**142,155**

*The opening balance on 1 January 2019 contains additions from applying IFRS 16 in 2019.

Other financial liabilities contain finance liabilities related to the cost of plant and machinery.

Other operating income contains the following income from the measurement of financial instruments:

EUR k	31 Dec 2020	31 Dec 2019
Gain or loss from financial assets measured at amortized cost	2,171	1,523
Gain or loss from financial liabilities measured at amortized cost	1,460	41
Gain or loss on financial instruments measured at FVTPL	0	3
	3,632	**1,567**

The result from financial liabilities carried at amortized cost comes to EUR 1,460 k and originates from exchange gains in the operating business.

Other operating expenses contain the following expenses from the measurement of financial instruments:

EUR k	31 Dec 2020	31 Dec 2019
Gain or loss from financial assets measured at amortized cost	1,773	2,046
Gain or loss from financial liabilities measured at amortized cost	418	70
Gain or loss on financial instruments measured at FVTPL	0	126
	2,191	**2,242**

Net financial income includes the following income (+) and expenses (-) from the measurement of financial instruments:

EUR k	31 Dec 2020	31 Dec 2019
Gain or loss from financial assets measured at amortized cost	-144	-122
Gain or loss from financial liabilities measured at amortized cost	-2,661	-2,508
Gain or loss on financial instruments measured at FVTPL	157	0
	-2,648	**-2,631**

The result of financial instruments measured at fair value through profit or loss of EUR 157 k results from the fair value measurement of forward exchange contracts and interest swaps. In 2019 similar transactions resulted in income of EUR 3 k and expenses of EUR 126 k. In the prior year, these were posted to other operating income and other operating expenses.

Financial risk management

Principles of risk management

The objective of the KATEK risk policy is to identify any going concern risks or significant risks to the business and manage these responsibly.

Risks are regularly assessed at KATEK in the course of a risk analysis.

Liquidity risks

Due to its capital base and access to long-term finance, the KATEK Group assesses the liquidity risk to be moderate.

In order to secure the solvency of subsidiaries at all times, the Group monitors the development of its subsidiaries' liquidity on a continuous basis.

The following table shows the contractual undiscounted payments of principal and interest for the financial instruments falling under the scope of IFRS 7:

31 Dec 2020 **EUR k**	**Cash flows up to 1 year**	**Cash flows 1-5 years**	**Cash flows 5 years and later**
Liabilities to banks	48,897	26,642	14,189
Trade payables	43,421	0	0
Liabilities from financial derivatives	0	147	0
Other financial liabilities (excl. IFRS 16)	12,645	7,164	0
	104,963	**33,954**	**14,189**

31 Dec 2019 **EUR k**	**Cash flows up to 1 year**	**Cash flows 1-5 years**	**Cash flows 5 years and later**
Liabilities to banks	30,777	15,020	14,043
Trade payables	22,554	0	0
Liabilities from financial derivatives	178	136	0
Other financial liabilities (excl. IFRS 16)	287	63,217	5,360
	53,796	**78,372**	**19,403**

Includes all instruments in the portfolio on the reporting date for which payments had already been contractually agreed. Items denominated in foreign currency are translated using the spot rate on the closing date. The variable interest payments from financial instruments were determined based on the interest rates most recently fixed before the respective cut-off date. All on-call financial liabilities are allocated to the earliest possible period in the table.

A separate liquidity analysis of lease liabilities is presented in note 21.

Currency risks

Certain transactions in the Group are denominated in foreign currency. This results in risks from fluctuations in exchange rates.

The carrying amounts of monetary assets and liabilities denominated in foreign currency that are subject to a currency risk posted through profit or loss and where the currency is significant for the Group are as follows:

			Current		
EUR k	**BGN**	**CZK**	**HUF**	**JPY**	**USD**
Financial assets	2,776	0	106	0	770
Financial liabilities	2,002	1,636	375	496	15,249
31 Dec 2020	**773**	**-1,636**	**-270**	**-496**	**-14,480**

EUR k	Non-current BGN	CZK	HUF	JPY	USD
Financial assets	0	0	0	0	0
Financial liabilities	882	0	28	0	0
31 Dec 2020	**-882**	**0**	**-28**	**0**	**0**

EUR k	Current BGN	CZK	HUF	JPY	USD
Financial assets	1,688	281	132	0	699
Financial liabilities	2,254	1,314	405	448	8,653
31 Dec 2019	**-566**	**-1,034**	**-273**	**-448**	**-7,954**

EUR k	Non-current BGN	CZK	HUF	JPY	USD
Financial assets	0	0	0	0	0
Financial liabilities	0	0	0	0	0
31 Dec 2019	**0**	**0**	**0**	**0**	**0**

Sensitivity analysis for currency risks

The following tables present the sensitivity of profit or loss and equity to the financial assets and financial liabilities of the Group and the BGN/EUR, CZK/EUR, HUF/EUR, JPY/EUR and USD/EUR exchange rates, assuming all other parameters remain unchanged. A change of +/- 10% in the BGN/EUR, CZK/EUR, HUF/EUR, JPY/EUR and USD/EUR exchange rates is assumed as at 31 December 2020 and 31 December 2019.

EUR k	Profit		Equity	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Local currency: EUR				
EUR/ BGN				
EUR +10%	10	51	-614	-454
EUR -10%	-12	-63	750	555
EUR/ CZK				
EUR +10%	149	94	-188	-331
EUR -10%	-182	-115	230	404
EUR/ HUF				
EUR +10%	27	25	27	25
EUR -10%	-33	-30	-33	-30
EUR/ JPY				
EUR +10%	45	41	45	41
EUR -10%	-55	-50	-55	-50
EUR/ USD				
EUR +10%	1,316	723	1,316	723
EUR -10%	-1,609	-884	-1,609	-884

Currency risks vary over the year depending on the volume of overseas transactions. Nevertheless, the above analysis is representative of the currency risk of the Group.

Forward exchange contracts

In keeping with the Group's policy, forward exchange contracts are entered into to hedge certain cash inflows and cash outflows denominated in foreign currency against the risk of fluctuations in exchange rates. Forward exchange contracts are initially recognized at fair value on the date they are entered into and remeasured at fair value on each reporting date. As the Group does not define forward exchange contracts as hedging instruments within the framework of hedge accounting, the gains or losses arising from their measurement are posted immediately to profit or loss.

	Nominal amount	Market value in EUR k	Nominal amount	Market value in EUR k
	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019
Forward exchange contract USD k	0	0	15,480	5

	Nominal amount	Market value	Nominal amount	Market value
EUR k	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019
Interest rate swaps	2,500	-147	2,500	-216

Credit risk

Credit risk is the risk of incurring a financial loss if a counterparty fails to meet its contractual performance obligations towards the Group. The Group is exposed to this risk with regard to a number of financial instruments, such as extending trade credit to customers, its trade receivables, the acquisition of equity instruments, cash investments, etc. The maximum credit risk for the Group is limited to the carrying amounts of the respective financial assets carried on the reporting date, which are summarized below:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Financial assets – carrying amounts		
Cash and cash equivalents	35,453	10,429
Trade receivables	23,346	16,863
Other financial assets	8	8
Other non-current financial assets	57	46
Other current financial assets	8,311	5,129
	67,174	**32,475**

The Group continuously monitors bad debts from customers and other contractual partners, which are identified either on an individual or a portfolio basis, and includes this information within the framework of its credit risk controls. External ratings and/or reports are obtained on customers and other contractual partners, if available at a reasonable price, and analyzed accordingly. The Group's policy is to only do business with contractual partners who exhibit the requisite credit-worthiness.

The credit risk for cash and cash equivalents is deemed to be negligible as the counterparties are reputable banks with extremely high credit ratings.

Loss allowances are recorded on the basis of information relating to the current business situation of the counterparty and past experience of their payment patterns. Consequently, loss allowances are recorded when the expected future cash inflows are lower than the carrying amount of the respective receivable.

Prior to entering a business relationship with a new customer, the Group generally obtains internal and external credit ratings in order to assess the credit worthiness of prospective customers and define their credit limits. The customer ratings and credit limits are reviewed regularly.

KATEK applies the expected loss model in accordance with IFRS 9 to measure its loss allowances. This involves recognizing expected losses and not merely any losses that have already been incurred.

The following table contains information on the estimated risk of counterparty default and expected credit losses attached to trade receivables, contractual assets and other receivables as at 31 December 2020 and 31 December 2019:

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	1.08%	24,873	-269	No
1-30 days past due	1.55%	1,419	-22	No
31-60 days past due	3.36%	438	-15	No
61-90 days past due	5.28%	113	-6	No
91-180 days past due	17.55%	84	-15	No
181-360 days past due	49.89%	70	-35	Yes
more than 360 days past due	100.00%	97	-97	Yes
Total as at 31 Dec 2020		**27,094**	**-458**	

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	2.33%	15,067	-350	No
1-30 days past due	1.61%	2,168	-35	No
31-60 days past due	3.38%	573	-19	No
61-90 days past due	3.87%	220	-9	No
91-180 days past due	18.50%	83	-15	No
181-360 days past due	42.17%	545	-230	Yes
more than 360 days past due	92.38%	17	-16	Yes
Total as at 31 Dec 2019		**18,674**	**-674**	

The loss allowances recognized by KATEK in connection with the expected loss model developed as follows:

EUR k	31 Dec 2020	31 Dec 2019
Opening balance	674	126
Additions	458	425
Utilization	-257	0
Reversals	-417	-135
Changes in the scope of consolidation	0	258
Exchange rate differences, other changes	0	0
	458	**674**

Expected credit losses on trade receivables that are not written down by loss allowances on an item-by-item basis are recognized using the simplified approach, which sets appropriate loss ratios on the basis of a table categorized by the days past due of the respective trade receivables. The impairment losses amount to EUR 458 k (prior year: EUR 674 k).

The Group is exposed to a credit risk with regard to trade receivables and other receivables from individual customers. As at 31 December 2020, KATEK carried outstanding receivables from two customers (prior year: one) that account for more than 10% of the trade receivables of the Group. Consequently, there is a concentration risk on the reporting date. Based on past experience, management assesses the recoverability of trade receivables that are neither past due nor impaired to be good.

	31 Dec 2020		31 Dec 2019	
	EUR k	**%**	**EUR k**	**%**
Customer A	5,019	21.5	3,809	22.6
Customer B	8,267	35.4	0	0
Other customers	10,060	43.1	13,054	77.4
Trade receivables	**23,346**	**100.0**	**16,863**	**100.0**

Interest rate risk

The Group's policy is to minimize its interest rate exposure inherent in its long-term borrowings. As at 31 December 2020 and 2019 the Group was exposed to interest risks from floating rate bank loans. The interest rate exposure arising from the Group's short-term cash investments is considered to be immaterial.

The following table demonstrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. Changes of this scale are considered sensible based on the observations of the latest market developments. The calculations are based on a change in the average market interest rate for each period and financial instruments exposed to interest rate risks on each reporting date. All other variables were maintained constant.

	Profit		Equity	
EUR k	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
2020	-479	479	-479	479
2019	-223	223	-223	223

Transfer of financial assets

Factoring arrangements are another source of funding used by the Group. As the risks and rewards attached to the receivables, including the credit risk and risk of default, lie with the respective factor, these assets have been derecognized. The volume of factored receivables as at the reporting date amounts to EUR 31,238 k (prior year: EUR 20,834 k).

21. Leases

The leases entered into by the KATEK Group endow the Group with rights to use licenses, real estate, office space in particular, other property, plant and equipment, particularly operating equipment, furniture and fixtures and also vehicles. The leases have a supporting function for the operations of the Group.

The changes in the carrying amounts of the leased property, plant and equipment are as follows:

EUR k	Total
Opening balance as at 1 Jan 2020	18,812
Additions	9,186
Disposals	0
Revaluations	4,076
Consolidated group	2,211
Reclassifications	-95
Currency	-189
Depreciation and amortization	-4,793

Closing balance as at 31 Dec 2020	**29,208**

The revaluations of EUR 4,076 k mainly consist of contract modifications and adjustments to interest rates during the year. Additions consist of the item financial leases buildings within property, plant and equipment and arose from the relocation of one Group company to new premises.

More details on individual right-of-use asset categories can be found in note 11 property, plant and equipment.

The breakdown of discounted and undiscounted lease liabilities by term is presented in the following table:

	31 Dec 2020	31 Dec 2020
EUR k	**Discounted lease liabilities**	**Undiscounted lease liabilities**
Liabilities from leases of 1 year or less	5,206	5,780
Liabilities from leases of 1 to 5 years	17,536	19,167
Liabilities from leases of more than 5 years	7,243	7,801
Total lease liabilities	**29,985**	**32,748**

	31 Dec 2019	31 Dec 2019
EUR k	**Discounted lease liabilities**	**Undiscounted lease liabilities**
Liabilities from leases of 1 year or less	3,568	4,240
Liabilities from leases of 1 to 5 years	13,560	13,741
Liabilities from leases of more than 5 years	2,122	2,175
Total lease liabilities	**19,250**	**20,156**

In addition, future payments will be incurred for short-term leases with a term of 12 months or less and leases of low-value assets. However, these are immaterial and are disclosed in contingent liabilities and other financial obligations under the section on other disclosures.

The amounts posted to profit or loss that relate to leases where the KATEK Group acts as lessee are presented below:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Depreciation and amortization	4,793	2,592
Interest expense	545	176
Short-term leases with a term of 12 months or less and leases of low-value assets	464	561
Total lease expenses	**5,802**	**3,329**

The amounts posted to the statement of cash flows that relate to leases where the KATEK Group acts as lessee are presented below:

EUR k	31 Dec 2020	31 Dec 2019
Cash paid for short-term leases with a term of 12 months or less and leases of low-value assets.	464	561
Cash paid for lease liabilities	5,283	2,766
thereof payments of principal	*4,738*	*2,600*
thereof interest	*545*	*176*
Total cash paid for leases	**5,747**	**3,327**

The cash paid for short-term leases and leases of low-value assets relate to operating cash flow. Payments of principal and interest are posted to the cash flow from financing activity.

22. Trade payables

All trade payables are due within 12 months. As in the past, the customary retention of title clauses apply until the liabilities are finally settled.

The carrying amounts of trade payables are considered to be a reasonable estimate of their fair values.

23. Payments received on account of orders

The increase in payments received on account in the financial year 2020 to EUR 3,258 k (prior year: EUR 1,945 k) is mainly due to a higher order backlog than in the prior year.

The following table shows how much of the revenue generated in the financial year relates to payments received on account rolled forward.

EUR k	31 Dec 2020	31 Dec 2019
Revenue realized from payments received on account in the prior year	1,875	553
	1,875	**553**

24. Other liabilities

EUR k	less than 1 year	more than 1 year	Total
Personnel liabilities	8,369	580	8,949
Tax liabilities	2,899	0	2,899
Other liabilities	606	0	606
Sales bonuses and compensation payments to sales agents	50	0	50
Prepaid expenses	44	0	44
31 Dec 2020	**11,968**	**580**	**12,548**

EUR k	less than 1 year	more than 1 year	Total
Personnel liabilities	7,043	563	7,606
Tax liabilities	2,353	0	2,353
Other liabilities	479	0	479
Sales bonuses and compensation payments to sales agents	163	0	163
Prepaid expenses	92	0	92
31 Dec 2019	**10,130**	**563**	**10,693**

Current personnel liabilities break down as follows:

EUR k	31 Dec 2020	31 Dec 2019
Other liabilities to employees	766	1,635
Bonuses and management incentives	2,384	1,864
Vacation, flexitime credits	1,836	1,623
Liabilities to social security	447	521
Sundry other personnel liabilities	2,412	64
Compensation and severance payments	86	625
Obligations for employers' liability insurance	365	357
Obligations from 'Altersteilzeit' (German phased retirement scheme)	72	354
	8,369	**7,043**

Other personnel liabilities presented under current liabilities to personnel include an amount of EUR 2,400 k (prior year: EUR 0k) from a phantom stocks program.

This phantom stocks program grants employees a cash-settled share-based payment when defined exit conditions are fulfilled. Exit conditions include the loss of control by the majority shareholder or an IPO of the Company. The program has a term expiring on 30 September 2030 and lapses without any consideration if the defined exit conditions are not met. In sum, 3,600 phantom stocks have been granted. The measurement at the end of the year is based on a business valuation as at 31 December 2020.

Non-current provisions for obligations towards personnel contain provisions for long-service awards of EUR 580 k (prior year EUR 563 k).

25. Capital risk management

The Group manages its capital to ensure that all group entities can operate on the assumption that they are going concerns and simultaneously to maximize the income of shareholders by optimizing the ratio of equity to debt capital.

The capital structure of the Group consists of liabilities, cash and cash equivalents and the equity allocable to the shareholders of the parent company. The latter consists of subscribed capital, the capital reserve and revenue reserves.

The capital structure of the Group is managed and adjusted in response to changes in the business environment.

Management monitors the capital structure of the Group at regular intervals. This involves reporting of the equity of subsidiaries as well as the existing forms of financing.

The Group manages its capital structure using its leverage ratio.

As at the reporting date, the equity ratio came to 24.1% (prior year: 9.4%) and the debt ratio (net debt to equity) to 78.4% (prior year: 252.6%). The Group intends to further optimize its capital structure by including earnings and risk-related indicators in its assessments in future.

EUR k	**31 Dec 2020**	**31 Dec 2019**
Liabilities to banks	86,476	59,720
Cash on hand and bank deposits	-35,453	-10,429
Net debt	**51,023**	**49,291**
Equity	65,093	19,514
Ratio of net debt to equity	**78.4%**	**252.6%**

The capital structure of the Group is reviewed at regular intervals as part of risk management.

26. Notes to the statement of cash flows

The consolidated statement of cash flows shows how the cash and cash equivalents of the KATEK Group have changed during the reporting year as a result of cash inflows and outflows. The cash flows are categorized by operating activities, investing activities and financing activities in accordance with IAS 7.

The changes in the line items of the statement of financial position that are presented in the consolidated statement of cash flows cannot be directly reconciled with the consolidated statement of financial position as non-cash items must be eliminated first.

The cash flow from operating activities is therefore derived indirectly from earnings after tax after eliminating interest and taxes on income, depreciation, amortization and impairments and other non-cash items. Moreover, cash flows from interest received and taxes paid are also considered. Finally, the cash inflow from operating activities also takes account of changes in working capital and the utilization of provisions. The non-cash-effective income posted under the cash flow from operating activities mainly consists of the releases of provisions and derecognition of other liabilities of EUR 1,427 k (prior year: EUR 1,127 k). In the prior year, this item also included a bargain purchase of EUR 1,344 k.

The cash flow from investing activities considers cash flows from the acquisition or sale of intangible assets, property, plant and equipment and financial assets. If the cash flow relates to the acquisition or sale of subsidiaries or other business units (and associated acquisition or loss of control) the impacts are presented in a separate line item of the cash flow statement.

The cash flow from financing activities is dominated by the changes in liabilities.

More information on the cash paid to settle lease liabilities can be found in note 21.

Cash and cash equivalents of EUR 3,582 k (prior year: EUR 8,449 k) comprise cash of EUR 35,453 k (prior year: EUR 10,429 k) and current liabilities to banks due within three months of EUR 31,871 k (prior year: EUR 1,980 k).

C. Other Notes

1. Relationships with related parties

Related parties include shareholders that can exercise significant influence over the KATEK Group, associated companies, joint ventures, non-consolidated subsidiaries and individuals who can exercise significant influence over KATEK and the financial and business policies of the Group. Individuals who can exercise significant influence over the financial and business policies of the Group include all individuals in key management positions and their close family relatives. Within the Group, this concerns the members of the executive management of the parent company.

Notes on affiliated companies

Within the course of normal business activity the KATEK Group and its subsidiaries maintain business relationships with numerous other businesses.

In the reporting year transactions with related parties resulted in liabilities of EUR 7,867 k (prior year: EUR 63,684 k), receivables of EUR 0 k (prior year: EUR 0 k), expenses of EUR 2,455 k (prior year: EUR 2,297 k) and income of EUR 1,653 k (prior year: EUR 917 k). All business transaction were concluded at arm's length conditions and do not deviate in substance from transactions with other entities.

Disclosures on key management personnel

Compensation paid to the Management Board amounted to EUR 354 k (prior year: EUR 388 k). The amount consists of benefits that fall due in the short term.

2. Company boards

The members of the Management Board during 2020 were:

Rainer Koppitz CEO, Munich	CEO
Dr. Johannes Fues CFO, Munich	Member of the Management Board

The activities of the Supervisory Board in financial year 2020 were exercised by the following individuals:

Klaus Weinmann Managing Director of PRIMEPULSE SE, Munich	Chairman
Stefan Kober businessman, Jettingen-Scheppach	Deputy chairperson
Dr. Benjamin Klein CFO of PRIMEPULSE SE, Munich	

The Supervisory Board received no remuneration for its work in the financial year.

3. Shareholdings of board members

The shareholdings of board members on the reporting date were as follows:

	Direct	**Indirect**	**Total**
Rainer Koppitz	4.10%	0.00%	4.10%
Dr. Johannes Fues	0.41%	0.04%	0.45%
	4.56%	**0.04%**	**4.60%**

Shareholdings of members of the Supervisory Board:

On the reporting date, Mr. Klaus Weinmann held 24.64%, Mr. Stefan Kober 25.43% and Dr. Benjamin Klein 0.45% of KATEK SE.

4. Parent company/group affiliations

KATEK SE, Munich, is a subsidiary of PRIMEPULSE SE, Munich, and is included in its consolidated financial statements. The consolidated financial statements of PRIMEPULSE SE are published in the German Federal Gazette (*Bundesanzeiger*).

5. Contingent liabilities and other financial obligations

Guarantees issued for loans drawn by third parties amounted to EUR 0 k on the reporting date (prior year: EUR 652 k).

Contingent liabilities and other financial obligations for the reporting year and the prior year are as follows:

EUR k	**31 Dec 2020**	**31 Dec 2019**
License expenses, rent and lease obligations	745	7,607
Purchase commitments for investment projects	736	581
thereof property, plant and equipment	736	581
thereof intangible assets	0	0
Other financial obligations	47	357
	1,529	**8,546**

The due dates of short-term leases and leases of low-value assets which are not recognized under the practical expedient afforded by IFRS 16 and of leases whose commencement date lies after the reporting date (mainly affects the prior year disclosures) are as follows:

EUR k	**31 Dec 2020**	**31 Dec 2019**
Due within 1 year	142	796
Due in 1 to 5 years	501	3,213
Due in more than five years	103	3,598
	745	**7,607**

The previous year's information for leases due in more than five years has been adjusted from EUR 8,171 k to EUR 3,598 k. The adjustment results from a calculation error in the previous year's financial statement.

6. List of shareholdings

No.	Name and registered offices of the company	Indirect share in capital %	Included in consolidation	Held by no.
1.	KATEK SE, Munich			.
2.	KATEK Memmingen GmbH, Memmingen	100.0	c	1.
3.	KATEK Elektronik Bulgaria EOOD, Saedinenie, Bulgaria (formerly: Steca Elektronik Bulgaria EOOD, Saedinenie, Bulgaria)	100.0	c	2.
4.	Katek GmbH, Grassau	100.0	c	1.
5.	Katek Hungary kft., Györ, Hungary	100.0	c	4.
6.	KATEK Düsseldorf GmbH, Düsseldorf	100.0	c	2.
7.	KATEK Mauerstetten GmbH, Mauerstetten	100.0	c	1.
8.	KATEK Frickenhausen GmbH, Frickenhausen (formerly: bebro electronic GmbH, Frickenhausen)	100.0	c	1.
9.	KATEK Czech Republic s.r.o; Horni Sucha, Czech Republic (formerly: bebro electronic s.r.o., Horní Suchá, Czech Republic)	100.0	c	8.
10.	beflex electronic GmbH, Frickenhausen	100.0	c	1.
11.	eSystems MTG GmbH, Wendlingen am Neckar	100.0	c	1.
12.	KATEK Leipzig GmbH, Munich (formerly: PRIMEPULSE 12 Vorrats-GmbH, Munich)	100.0	c	1.

Nature of consolidation – as at 31 Dec 2020

c Fully consolidated entities

Shareholding	Currency	Share in capital	Equity as at 31 Dec 2020	Net profit/loss for the year
Zamm Zentrum für angewandte Meßtechnik Memmingen GmbH, Memmingen	EUR k	16.2%	638 [1)]	40 [1)]
Franken Solar Romania S.R.L., Medias, Romania	EUR k	12.5%	n/a	n/a

Key

1) Financial statements as at 31 December 2019

7. Subsequent events

Acquisitions

Effective 1 February 2021, KATEK Leipzig GmbH (formerly: PRIMEPULSE 12 Vorrats-GmbH), Munich, a wholly-owned subsidiary of KATEK SE, Munich, acquired the key operating assets from the insolvency of Leesys- Leipzig Electronic Systems GmbH, Leipzig, within the framework of an asset deal. In addition to plant and machinery, these include real estate encumbered by land charges, work in process in inventories, later deliveries of raw materials, consumables and supplies and shares in first and second-tier subsidiaries. The new entity, KATEK Leipzig GmbH, Munich, complements the KATEK SE Group, Munich. The purchase price paid for the assets amounts to EUR 5,600 k plus the net sales price of the sold assets corresponding to the cost of work in process less payments received on account, as measured during a physical inventory count on the date of transfer. The purchase price was settled in cash in financial year 2021.

Foundation

KATEK SINGAPORE PTE. LTD., Singapore, a subsidiary of beflex electronic GmbH, Frickenhausen, was founded effective 28 January 2021.

BEFLEX ELECTRONIC MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia, a subsidiary of beflex electronic GmbH, Frickenhausen, was founded effective 11 February 2021.

There were no other events of material significance after the end of the financial year that would require reporting at this point.

8. Ratification of the consolidated financial statements

The consolidated financial statements were ratified by the Supervisory Board on 5 March 2021.

Munich, 5 March 2021

KATEK SE
Management Board

Independent Auditor's Report

The following Auditor's Report *(Bestätigungsvermerk)* and the corresponding consolidated financial statements are both translations of the respective German language documents.

Auditor's Report

To KATEK SE, Munich

Audit Opinion

We have audited the consolidated financial statements of **KATEK SE, Munich**, and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the requirements of IFRS as endorsed by the EU and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020.

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

Basis for the Audit Opinion

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

Responsibility of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Group.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as endorsed by the EU.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 10 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	Josip Grgic
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

18.2 Audited Consolidated Financial Statements of KATEK SE prepared in accordance with IFRS as of and for the financial year ended 31 December 2019, and independent auditor's report thereon:

Consolidated Statement of Financial Position

ASSETS

EUR k	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Property, plant and equipment	2	49,692	19,968
Goodwill	1	8,521	0
Other intangible assets	1	10,382	5,491
Financial assets	10	8	8
Employee benefits	8	21	0
Other financial assets	10	46	0
Deferred tax assets	22	1,896	488
Total non-current assets		**70,565**	**25,955**
Current assets			
Inventories	3	101,463	58,919
Trade receivables	4	16,863	12,341
Other financial assets	10	5,129	2,758
Income tax receivables		822	30
Other assets and prepaid expenses	5	1,476	428
Cash and cash equivalents	6	10,429	5,399
Total current assets		**136,183**	**79,874**
Total assets		**206,747**	**105,829**

EQUITY AND LIABILITIES

EUR k	Note	31 Dec 2019	31 Dec 2018
Capital and reserves			
Subscribed capital	7	120	120
Capital reserve	7	4,880	4,880
Revenue reserves	7	14,514	16,775
Total equity		**19,514**	**21,775**
Non-current liabilities			
Non-current loans	10	29,050	11,206
Provisions for pensions and similar obligations	8	1,447	450
Other provisions	9	78	0
Other financial liabilities	10	79,002	30,343
Other liabilities	13	563	453
Deferred tax liabilities	22	1,997	2,201
Total non-current liabilities		**112,138**	**44,653**
Current liabilities			
Current loans	10	30,670	13,446
Other provisions	9	4,061	2,322
Trade payables	11	22,554	14,370
Payments received on account of orders	12	1,945	553
Other financial liabilities	10	4,033	857
Income tax liabilities		1,704	2,261
Other liabilities and deferred income	13	10,130	5,592
Total current liabilities		**75,095**	**39,401**
Total liabilities		**187,233**	**84,054**
Total equity and liabilities		**206,747**	**105,829**

Consolidated Statement of Profit or Loss

EUR k	Note	31 Dec 2019	31 Dec 2018
Revenue	15	**261,002**	**164,057**
Change in inventories		578	-22
Own work capitalized		118	83
Total operating performance		**261,698**	**164,118**
Cost of materials	17	-184,772	-110,886
Gross profit		**76,925**	**53,232**
Other operating income	16	6,167	21,375
Personnel expenses	18	-54,422	-32,815
Other operating expenses	20	-19,656	-14,827
EBITDA		**9,015**	**26,966**
Depreciation and amortization	19	-11,001	-5,543
Earnings before interest and taxes (EBIT)		**-1,986**	**21,423**
Financial income	21	59	52
Finance costs	21	-2,857	-863
Earnings before tax		**-4,784**	**20,612**
Income taxes	22	2,594	743
Net profit or loss of the Group		**-2,191**	**21,355**

Consolidated Statement of Comprehensive Income

EUR k	Note	31 Dec 2019	31 Dec 2018
Net profit or loss of the Group		-2,191	21,355
Other comprehensive income			
Items that might be subsequently recycled through profit or loss			
Exchange rate differences arising from currency translation during the year		16	0
		16	**0**
Items that may not be subsequently recycled through profit or loss			
Changes in actuarial gains/losses from pensions and similar obligations		-150	-210
Deferred taxes from changes in actuarial gains/ losses from pensions and similar obligations		64	38
		-86	**-172**
Other comprehensive income after tax		**-71**	**-172**
Comprehensive income		**-2,261**	**21,183**

Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve	Revenue reserves: Other	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2019	120	4,880	-167	0	16,943	21,775
Net profit or loss of the Group	0	0	0	0	-2,191	-2,191
Adjustments to reserves (OCI)	0	0	-86	0	0	-86
Exchange rate gains and losses	0	0	0	16	0	16
31 December 2019	**120**	**4,880**	**-254**	**16**	**14,752**	**19,514**

	Subscribed capital	Capital reserve	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Foreign currency translation reserve	Revenue reserves: Other	Total
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
1 January 2018	0	0	4	0	-4,412	-4,408
Net profit or loss of the Group	0	0	0	0	21,355	21,355
Adjustments to reserves (OCI)	0	0	-172	0	0	-172
Cash injections and additions to the equity of the parent company	120	4,880	0	0	0	5,000
31 December 2018	**120**	**4,880**	**-167**	**0**	**16,943**	**21,775**

Consolidated Statement of Cash Flows

EUR k	Note	31 Dec 2019	31 Dec 2018
Cash flows from operating activities			
Net profit or loss of the Group		-2,191	21,355
Income tax expense through profit or loss	22	-2,594	-743
Finance costs / income posted through profit or loss	21	2,798	812
Amortization of intangible assets and financial assets, depreciation of property, plant and equipment	19	11,001	5,543
Increase/(decrease) in provisions		553	-68
Other non-cash expenses/income		-2,569	-20,474
(Gain)/loss on the disposal of non-current assets		44	-23
(Increase)/decrease in inventories, trade receivables and other assets		7,787	-6,648
Increase/decrease in trade payables and other liabilities		1,056	-1,857
Interest received		46	52
Cash inflow/outflow from operating activities		**15,932**	**-2,052**
Income taxes paid		-2,494	-524
Net cash inflow/outflow from operating activities		**13,438**	**-2,576**

EUR k	Note	31 Dec 2019	31 Dec 2018
Cash flows from investing activities			
Cash received from the disposal of intangible assets		5	0
Cash paid for intangible assets		-375	-232
Cash received from the disposal of property, plant and equipment		1,480	427
Cash paid for property, plant and equipment		-6,043	-2,405
Cash paid for additions to the consolidated group less cash and cash equivalents acquired		-59,443	-4,899
Cash received for investments in connection with short-term finance planning		0	289
Cash paid for investments in connection with short-term finance planning		-112	0
Net cash outflow from investing activities		**-64,488**	**-6,821**

EUR k	Note	31 Dec 2019	31 Dec 2018
Cash flow from financing activities			
Cash received from borrowing		30,000	14,083
Cash repayments of loans		-6,795	-10,366
Cash received from the issue of shareholder loans		33,610	10,151
Interest paid		-2,678	-878
Net cash inflow from financing activities		**54,137**	**12,990**
Net increase in cash and cash equivalents		**3,087**	**3,593**
Cash and cash equivalents at the beginning of the period		**5,399**	**1,805**
Changes in cash and cash equivalents due to exchange rates and changes in valuation		-37	0
Cash and cash equivalents at the end of the period		**8,449**	**5,399**
thereof: bank balances		10,429	5,399
thereof: liabilities to banks		1,980	0

Notes to the Consolidated Financial Statements

A. Basis of Preparation

1. General information

The consolidated financial statements of KATEK SE, Munich, and its subsidiaries (hereinafter: "KATEK", "KATEK Group" or "Group") for financial year 2019 were prepared in accordance with International Financial Reporting Standards (IFRS, as endorsed by the EU) and, in addition, with the applicable provisions of German commercial law. The KATEK Group was founded upon the contribution of the shares in KATEK Memmingen GmbH, Memmingen, (formerly Steca Elektronik GmbH, Memmingen) and Katek GmbH, Grassau, by PRIMEPULSE SE, Munich, in December 2018.

KATEK is a global player and leading European services provider in electronics with subsidiaries in Frickenhausen, Grassau, Mauerstetten, Memmingen and Wendlingen as well as international locations in Bulgaria, the Czech Republic and Hungary. The product spectrum covers the entire life cycle of electronic assemblies and devices from development through to materials management and project management, electronic manufacture, box-build, testing technologies and logistics and after-sales service – from small-volume series and prototypes through to mass produced series for all kinds of sectors.

The consolidated financial statements are presented in euros. Unless otherwise specified, all amounts are stated in thousands of euro (EUR k). In isolated cases there may be rounding differences resulting in sums not being entirely accurate or percentages not equating exactly with the stated figures. To aid clarity, we have combined individual line items in the consolidated statement of profit or loss and in the consolidated statement of financial position. The breakdown of these items is listed in the notes to the consolidated financial statements. The consolidated statement of profit or loss has been prepared using the nature of expense method.

The financial year covers the period from 1 January 2019 to 31 December 2019. The registered offices of KATEK SE are located at Promenadeplatz 12, 80333 Munich, Germany. KATEK SE is entered in the commercial register of the local court of Munich under HRB 245284.

PRIMEPULSE SE, based in Munich and the parent company of an international group of companies, holds 79% of the shares in KATEK SE.

The KATEK Group is consolidated in the consolidated financial statements of PRIMEPULSE SE, Munich, which compiles the consolidated financial statements as at 31 December of each calendar year for the largest group of companies and publishes these in the Federal Gazette. The KATEK Group has therefore compiled these consolidated financial statements on a voluntary basis.

2. Application of new accounting standards

As a first-time adopter of IFRS, the Group is obliged to uniformly apply all standards and interpretations that are mandatory at the end of the reporting period (31 December 2019) to all the periods presented. In addition, it is permitted to early-adopt standards and interpretations that have been published and endorsed by the EU but whose application is not yet mandatory in the reporting year. The Group did not avail of this option.

Reference is made to the presentation in note 4.7 of the consolidated financial statements in terms of the first-time mandatory application of IFRS 16 (leases) in the 2019 reporting period.

The first-time application of other IFRS – IFRIC 23, amendments to IFRS standards from the annual improvements (2015 to 2017 cycle) and the amendments to IFRS 9, IAS 19 and IAS 28, which became mandatory on 1 January 2019, did not have any significant impact on the presentation of financial performance, financial position and cash flows in the reporting year.

As the ultimate parent company, PRIMEPULSE SE, Munich, has compiled consolidated financial statements pursuant to IFRS as endorsed by the EU since 1 January 2015 (date of transition to IFRS). As a subsidiary of PRIMEPULSE SE, KATEK SE qualifies as a first-time adopter pursuant to IFRS 1 for the consolidated financial statements as at 31 December 2019. The KATEK sub-group was created during a corporate reorganization of group entities within a higher level group (PRIMEPULSE SE) and therefore qualifies as an internal reorganization under the common control of PRIMEPULSE SE. According to IFRS 3.2c, such transactions under common control are generally excluded from the scope of IFRS 3. Consequently, the consolidated financial statements of the KATEK sub-group can be prepared on the basis of either acquisition accounting or predecessor accounting at book value. The IFRS consolidated financial statements of KATEK SE have been prepared at book value using predecessor accounting. The IFRS carrying amounts are therefore derived from the higher-level IFRS consolidated financial statements of PRIMEPULSE SE and rolled forward in the IFRS consolidated financial statements of KATEK SE.

New standards and interpretations that are not yet mandatory
The following new standards and interpretations that have been ratified by the International Accounting Standards Board (IASB) and endorsed by the EU, are mandatory for all reporting periods beginning on or after 1 January 2020 but have not been applied when compiling these consolidated financial statements:

Standard or interpretation	**Contents and significance for the financial reporting**	**Date of mandatory first-time application**
Amendments to IFRS 9, IAS 39 and IFRS 7	The amendment was made to address the uncertainties created by the interest rate benchmark reform (IBOR). A number of specific aspects of hedge accounting have been specified in more detail. Reporting entities are encouraged to provide their investors with additional information on hedge accounting. No effects are anticipated on the consolidated financial statements from the first-time application of this standard.	1 January 2020
Amendments to IAS 1 and IAS 8	These amendments are intended to clarify the discussion of materiality, which frequently arises in practice. No effects are anticipated on the consolidated financial statements from the first-time application of this standard.	1 January 2020
Amendments to references to the conceptual framework	On 29 March 2018 the IASB issued the revised framework. The amendments include revised definitions of assets and liabilities and a new guideline on measurement, derecognition, presentation and disclosures in the notes.	1 January 2020

New standards and interpretations that are not yet applicable
The following standards, interpretations and amendments of existing standards and interpretations have been issued by the IASB. However, as these have not yet been endorsed by the EU, they have not yet been applied when compiling these consolidated financial statements.

Standard	**Contents and significance for the financial reporting**	**Date of mandatory first-time application**
IFRS 17	This standard governs the recognition and measurement of insurance policies by the issuers of the policy. It does not have any relevance for the consolidated financial statements of KATEK SE	1 January 2021
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IAS 1	Classification of liabilities as current or non-current	Outstanding

The Group has not yet made a conclusive assessment of the above new but not yet mandatory standards and interpretations as to whether, and if so, what implications the amendments will have for the financial performance, financial position and cash flows of the Group. At present, it is expected that there will not be any material impact.

3. Consolidated group

The consolidated group for the financial year ended 31 December 2019 comprises the parent company, i.e. KATEK SE, Munich, as well as six domestic subsidiaries and four foreign subsidiaries.

A subsidiary is an entity that is controlled by KATEK SE. Control is when KATEK SE is exposed to variable returns from its involvement in the investee and has the rights to these returns and is able to use its power over the investee to affect the amount of these returns.

The consolidated group as at 31 December 2019 is as follows:

	Domestic	Foreign	Total
1 January 2019	3	3	6
Majority acquisition	4	1	5
31 December 2019	7	4	11

In total, 11 entities are fully consolidated in the consolidated financial statements of KATEK SE.

A list of the group entities and the shareholding held by KATEK SE can be found in the notes to the consolidated financial statements under C.7.

Changes in the consolidated group

Changes at the German entities are presented in the following table:

Domestic	Mergers	Foundation	Spin-off	Liquidation	Acquisition
KATEK Mauerstetten GmbH, Mauerstetten (formerly ETL Elektrotechnik Lauter GmbH, Mauerstetten)					X
bebro electronic GmbH, Frickenhausen					X
beflex electronic GmbH, Frickenhausen					X
eSystems MTG GmbH, Wendlingen am Neckar					X

Changes at the foreign entities are presented in the following table:

Foreign	Mergers	Foundation	Spin-off	Liquidation	Acquisitio n
bebro electronic s.r.o., Horní Suchá, Czech Republic					X

Acquisitions

Acquisition of KATEK Mauerstetten

Effective 31 January 2019, KATEK SE, Munich, acquired 100% of the shares in KATEK Mauerstetten GmbH, Mauerstetten (formerly, ETL Elektrotechnik Lauter GmbH, Mauerstetten), as part of its plans to expand its electronics manufacturing services (EMS) business.

The purchase price for the 100% holding amounted to EUR 20,619k, which was settled in cash. Incidental costs of the acquisition that do not meet the recognition criteria for capitalization amounted to EUR 433k.

Revenue of EUR 34,908k has been posted to the consolidated statement of comprehensive income since the acquisition and a net profit for the period of EUR 454k. If the acquisition had taken place at the beginning of the reporting period, revenue of EUR 37,978k and a net profit for the period of EUR 588k would have been presented.

The following assets and liabilities were assumed in the course of the business combination:

EUR k	**Fair value**
Purchase price	
Cash and cash equivalents	20,619
Total consideration transferred	**20,619**
Fair value of acquired assets and liabilities	
Intangible assets	5,067
of which identified in the purchase price allocation	4,957
Fixed assets	5,456
Inventories	7,565
Receivables	1,613
Other assets	422
Cash and cash equivalents	1,438
Provisions	1,302
Liabilities to banks	1,803
Deferred tax liabilities	1,332
Trade payables	1,561
Other liabilities	3,465
Fair value of acquired net assets	**12,098**
Goodwill	**8,521**

The gross amount of the contractual receivables acquired in the business combination comes to EUR 1,656k, of which EUR 43k were no longer expected to be collected as at the date of acquisition.

Acquisition of the bebro Group and eSystems MTG GmbH
Effective 18 October 2019, KATEK SE, Munich, a wholly-owned subsidiary of PRIMEPULSE SE, Munich, acquired the bebro Group and 100% of the shares in MTG GmbH, Wendlingen. The bebro Group was acquired upon acquiring 100% of the shares in bebro electronic GmbH, Frickenhausen. The key competencies of these entities should reinforce the position of the KATEK Group on its way to becoming a European market leader. In addition to classical EMS business, the bebro Group also has a focus on measurement technology, industrial technology and medical technology as well as producing prototypes and small-volume series production. eSystems MTG GmbH develops solutions and systems in the field of electromobility, such as smart chargers for electric vehicles.

The date of first-time consolidation of the acquired entities was set at 1 November 2019 as a practical expedient.

The purchase price for the shares amounted to EUR 15,701k, which was settled in cash.

The first-time consolidation of the bebro Group and eSystems MTG GmbH resulted in a bargain purchase of EUR 1,344k. In addition, the existing shareholder loans of the vendor were assumed for a price of EUR 23,938k.

The incidental costs of the acquisition, which do not meet the recognition criteria for capitalization, amounted to EUR 443k and were posted to other operating expenses in the reporting year.

Revenue of EUR 13,969k has been posted to the consolidated statement of comprehensive income since the acquisition and a net loss for the period of EUR -554k. If the acquisition had taken place at the beginning of the reporting period, revenue of EUR 79,706k and a net loss for the period of EUR -6,443k would have been presented.

The following assets and liabilities were assumed in the course of the business combination:

EUR k	Fair value
Purchase price	
Cash and cash equivalents	15,701
Total consideration transferred	**15,701**
Fair value of acquired assets and liabilities	
Intangible assets	2,828
of which identified in the purchase price allocation	2,472
Fixed assets	18,127
Inventories	38,534
Receivables	9,487
Other assets	1,213
Cash and cash equivalents	1,896
Provisions	2,018
Liabilities to banks	7,953
Deferred tax liabilities	694
Trade payables	30,786
Other liabilities	13,590
Fair value of acquired net assets	**17,045**
Bargain purchase	**-1,344**

The gross amount of the contractual receivables acquired in the business combination comes to EUR 9,696k, of which EUR 209k were no longer expected to be collected as at the date of acquisition.

4. Accounting policies

The principal accounting policies adopted in preparing these consolidated financial statements are presented in the following. The methods described are consistently applied to the reporting periods, unless stated otherwise.

Standards which become mandatory only after the reporting date were not early adopted. As a result there was no impact from the early adoption of standards on the financial performance, financial position and cash position of the Group.

The KATEK Group was founded in December 2018 and has compiled consolidated financial statements for the first time. These have been prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board and endorsed by the EU.

4.1 Consolidation principles

The consolidated financial statements are based on the separate financial statements of the entities included in the consolidated financial statements of KATEK SE. The separate financial statements of the German and foreign entities included in the consolidated financial statements were prepared as at the reporting date of KATEK SE.

Subsidiaries
Upon first-time consolidation, subsidiaries are accounted for in accordance with the acquisition method. This method requires all hidden reserves and hidden burdens of the acquired company to be uncovered during a revaluation and that all identifiable intangible assets are presented separately. Any remaining difference identified during the purchase price allocation is recognized as goodwill. During the first-time consolidation of acquired entities, the carrying amount of the equity held by the ultimate parent company is offset against the assets and liabilities acquired. In subsequent years the carrying amounts of the investment held by the parent company are offset against the equity carried by the subsidiary.

If the net balance of the share acquired in the remeasured assets and liabilities of the acquired entity is higher than the associated costs of the acquisition on the date of the acquisition, the assets and liabilities and contingent liabilities are initially reviewed for any indication of impairment. Any remaining excess (bargain purchase) is then immediately posted as a gain to profit or loss.

All significant intercompany profits and losses, sales, income and expenses are eliminated as are intercompany receivables and liabilities.

Other equity investments
Equity investments which are individually or collectively immaterial for the financial performance, financial position and cash flows are recognized at cost less any impairment losses.

4.2 Foreign currency translation

The separate financial statements of consolidated entities are prepared in the functional currency. The functional currency is the currency of the primary economic environment in which the entity operates. For most of the subsidiaries, the functional currency is the respective local currency, as the entities carry out their business activities independently from a financial, economic and organizational perspective.

In the consolidated financial statements, the assets and liabilities of those entities using a foreign currency as their functional currency are translated on the opening date and on the closing date using the respective closing rates. Any differences that arise during the year as well as any income and expenses and cash flows are then translated into euro using the monthly average exchange rates.

Equity components are translated at the historical rate on the date they were acquired from the Group's perspective.

Any differences to translating the items using the closing rates are presented separately under equity as a foreign currency translation reserve or as exchange rate differences. The exchange rate differences recorded under equity during the time of the entity's affiliation to the Group are released to profit or loss when the entity is deconsolidated or upon a reduction in the net investment in a foreign operation.

The euro exchange rates for the most important currencies developed as follows:

EUR 1/		Closing rate **31 Dec 2019**	Closing rate **31 Dec 2018**	Average rate **2019**	Average rate **2018**
HUF	Hungary	330.5300	320.9800	325.2285	318.8183
USD	USA	1.1234	1.1450	1.1196	1.1815
BGN	Bulgaria	1.9558	1.9558	1.9558	1.9558
CZK	Czech Republic	25.4080	25.7240	25.6697	25.6430

Foreign currency translation
Monetary items, such as receivables and liabilities, denominated in a different currency than the functional currency are translated in the separate financial statements of group entities using the closing rate. The associated gain or loss is posted to profit or loss and presented under other income or other expenses in the consolidated statement of profit or loss.

4.3 Revenue recognition

The KATEK Group applies the revenue recognition policies of IFRS 15 to all contracts with customers. The Group applies the five-step model of IFRS 15 to determine whether the performance obligations constitute distinct performance obligations and whether the contract contains other obligations that represent distinct performance obligations to which a portion of the transaction price must be allocated (e.g. financing components, warranties, equipment (customer-specific parts), rights of use).

The model consists of the following steps:

(1) Identifying the contract with the customer
(2) Identifying the separate performance obligations in the contract

(3) Determining the transaction price
(4) Allocating the transaction price to the performance obligations
(5) Recognizing the revenue (over time or at a point in time)
The Group recognizes revenue on the basis of the consideration agreed on in a contract with a customer. Amounts collected in the name of third parties are excluded from revenue recognition. Revenue is recognized upon the transfer of control over the good or service to the customer. Within the Group, this is generally at a point in time, when the customer obtains possession of the products.

Rebates, bonuses, discounts and the customary warranties and guarantees are deducted from the transaction price and therefore from revenue.

4.4 Intangible assets

Intangible assets acquired for a consideration are stated at cost.

All intangible assets with the exception of goodwill have finite useful lives and are therefore amortized over the prospective useful lives on a straight-line basis.

Goodwill is subject to an impairment test at least once a year in accordance with IAS 36. The Company has set the date of 30 November for conducting its annual impairment tests.

4.5 Research and development expenses

The research and development expenses incurred by the KATEK Group are expensed immediately in the consolidated statement of profit or loss. The recognition criteria of IAS 38 for recognizing development expenses as internally-generated intangible assets are not met at present.

4.6 Property, plant and equipment

Property, plant and equipment is measured at cost less any accumulated depreciation in accordance with IAS 16. Depreciation is measured over the useful life using the straight-line method.

Borrowing costs that are directly allocable to qualifying assets are generally capitalized as part of the cost of those assets in accordance with IAS 23.

Repair expenses that do not serve to substantially improve or expand the respective assets are expensed on principle.

4.7 Leases

The KATEK Group has applied IFRS 16 Leases since 1 January 2019.

IAS 17 still applied in financial year 2018. According to IAS 17, a lease was classified as a finance lease if substantially all risks and rewards incidental to ownership were transferred to the lessee. All other leases were classified as operating leases. Lease payments under an operating lease were recognized as an expense in the statement of profit or loss on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the benefit for KATEK.

IFRS 16, which has applied since 1 January 2019, contains a comprehensive model for identifying leases and lays out the accounting for them by both lessors and lessees. The key aspect of the standard is that lessees must now generally recognize the right-of-use assets and the lease liabilities of leases in their statement of financial position. The former distinction between finance lease and operating lease is no longer required from the lessee. Rather, IFRS 16 introduces a uniform accounting model by which the lessee must recognize right-of-use assets and lease liabilities for any leases with a remaining term of more than 12 months. For the lessor the requirements of the new standard are similar to the treatment under the former standard, IAS 17. Lease agreements are still classified as either finance or operating leases.

Instead of disclosing the minimum lease payments from operating leases under other financial obligations, non-current assets increase as at 1 January 2019 due to the recognition of right-of-use assets. Likewise, current and non-current finance liabilities also increase due to recognition of the corresponding lease liabilities. With regard to the statement of comprehensive income, the depreciation of right-of-use assets and the interest expense for lease liabilities are now presented in place of the expense for operating leases. In the statement of cash flows, the cash flow from operating activities improves due to higher depreciation and interest expenses, while the repayment of principal in the lease payments leads to a cash outflow under financing activities.

The initial measurement of the right-of-use asset is based on the present value of the lease payments plus any initial direct cost less any lease incentives received. The right of use asset is depreciated over the shorter of the term of the lease or the useful life of the underlying asset. Lease payments generally consist of fixed and variable payments, which may be pegged to an index. If a lease includes an option to extend the lease or purchase the asset, and it is more likely than not that this option will be exercised, the costs of this option are considered in the lease payments. The KATEK Group exercises the practical expedients offered by IFRS 16 concerning short-term leases of not more than 12 months and leases for low-value assets.

The new standard has been applied by the KATEK Group as at 1 January 2019 using the modified retrospective approach, i.e., prior year figures have not been adjusted and no right-of-use assets or lease liabilities have been recognized as at 1 January 2019 for existing lease agreements.

As at 1 January 2019, the introduction of IFRS 16 had the following impact on the consolidated statement of financial position:

ASSETS	**IFRS as at 31 Dec 2018**	**Adjustments IFRS 16**	**IFRS as at 1 Jan 2019**
Non-current assets			
Property, plant and equipment	19,968	6,821	26,789
Other intangible assets	5,491	0	5,491
Other financial assets	8	0	8
Deferred tax assets	488	0	488
Non-current assets	**25,955**	**6,821**	**32,776**
Current assets			
Inventories	58,919	0	58,919
Trade receivables	12,341	0	12,341
Other financial assets	2,758	0	2,758
Income tax receivables	30	0	30
Other assets and prepaid expenses	428	0	428
Cash and cash equivalents	5,399	0	5,399
Current assets	**79,874**	**0**	**79,874**
Assets	**105,829**	**6,821**	**112,651**

EQUITY AND LIABILITIES	IFRS as at 31 Dec 2018	Adjustments IFRS 16	IFRS as at 1 Jan 2019
Equity	**21,775**	**0**	**21,775**
Non-current loans	11,206	0	11,206
Provisions for pensions and similar obligations	450	0	450
Other financial liabilities	30,343	5,381	35,724
Other liabilities	453	0	453
Deferred tax liabilities	2,201	0	2,201
Non-current liabilities	**44,653**	**5,381**	**50,034**
Current loans	13,446	0	13,446
Other provisions	2,322	0	2,322
Trade payables	14,370	0	14,370
Payments received on account of orders	553	0	553
Other financial liabilities	857	1,441	2,298
Income tax liabilities	2,261	0	2,261
Other liabilities and deferred income	5,592	0	5,592
Current liabilities	**39,401**	**1,441**	**40,842**
Equity and liabilities	**105,829**	**6,821**	**112,651**

The carrying amount of lease liabilities as at 1 January 2019 can be reconciled with other financial obligations from rental agreements and leases disclosed pursuant to IAS 17 as at 31 December 2019 as follows:

Reconciliation to lease liabilities pursuant to IFRS 16	EUR k
Other financial obligations from rental and lease agreements as at 31 Dec 2018 pursuant to IAS 17:	**7,617**
Practical expedient for short-term leases	-531
Practical expedient for leases of low-value assets	-45
Payments of incidental costs of leases	0
Obligations from operating leases (undiscounted)	**7,041**
Effect of discounting	-220
Obligations from operating leases (discounted)	**6,821**
Carrying amount of finance lease liabilities as at 31 Dec 2018 pursuant to IAS 17	2,103
Carrying amount of lease liabilities as at 1 Jan 2019 pursuant to IFRS 16	**8,924**

4.8 Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets has been calculated on the basis of the following useful lives which have been applied uniformly throughout the Group:

in years	31 Dec 2019	31 Dec 2018
Internally generated intangible assets	4	4
Intangible assets acquired for a consideration	3 – 5	3 – 5
Customer base	5 – 8	5 – 8
Buildings	15 – 50	15 – 50
Plant and machinery	5 – 8	5 – 8
Other equipment, furniture and fixtures	3 – 15	3 – 15

4.9 Impairment of non-financial assets

Impairment losses are recognized on intangible assets and property, plant and equipment if the recoverable amount of the asset falls short of the carrying amount. If an intangible asset is part of a cash-generating unit, it is amortized on the basis of the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. If goodwill is allocated to a cash-generating unit and its carrying amount exceeds its recoverable amount, it is initially written down to the recoverable amount by recording an impairment loss. Any further need for impairment is recorded by writing down the carrying amounts of the remaining assets of the cash-generating unit. If the reasons for an earlier impairment loss no longer exist, the impairment losses are reversed by writing up the intangible assets. However, the resulting carrying amounts may not exceed amortized cost. No write-ups are recorded on goodwill.

4.10 Inventories

Inventories are measured at the lower of cost and net realizable value. They are measured using the weighted average cost method.

Assuming normal capacity utilization, the full costs of production are considered in the cost of inventories.

Production cost includes directly allocable costs as well as fixed and variable production overheads, including an appropriate portion of the depreciation recorded on production plant and equipment.

Appropriate allowances are recorded to cover the risks of storage and marketability. Measurement takes into account the lower net realizable values of inventories as at the reporting date. If the reasons for an earlier impairment loss no longer apply, the write-up is charged against the cost of materials.

4.11 Financial instruments

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

Financial instruments are recognized on the settlement date as soon as KATEK becomes a party to the financial instrument. Financial assets and financial obligations are initially measured at fair value. Transaction costs increase or decrease the initial measurement if the financial asset and/or financial liability is not measured at fair value with subsequent changes in fair value posted through profit or loss.

In terms of their subsequent measurement, IFRS 9 requires financial assets to be allocated to one of two categories: either at amortized cost or at fair value. If financial assets are measured at fair value, the related income and expenses are posted either in full to profit or loss (FVTPL – fair value through profit or loss) or to other comprehensive income (FVTOCI – fair value through other comprehensive income).

This classification is decided upon initial recognition, i.e. when the company becomes a party to the contract for the instrument. However, in certain cases, it may be necessary to reclassify financial assets at a later date.

Financial assets
A debt instrument held by the reporting entity that meets the following two conditions must be measured at fair value through other comprehensive income (FVTOCI).

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that meets the following two conditions must be measured at amortized cost (using the effective interest method if applicable):

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

All other debt instruments that do not meet the above conditions must be measured at fair value through profit or loss (FVTPL).

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period.

The effective interest rate for all financial instruments that are not allocated to the category of purchased or originated impaired financial assets is the interest rate that exactly discounts estimated future cash receipts (including all fees that are a portion of the effective interest rate, transaction costs and other premiums and discounts) to the net carrying amount upon initial recognition through the expected life of the debt instrument or a shorter period, if applicable.

In the case of financial assets that are purchased or originated credit-impaired, interest income is determined by applying an adjusted interest rate to the amortized cost of the asset. The adjusted interest rate is the rate at which the expected cash flows (explicitly considering expected credit losses and the terms of the contract) are exactly discounted to the carrying amount upon initial recognition.

The interest income from debt instruments that are measured at amortized cost or at FVTOCI is determined using the effective interest method. For all financial assets that are not originated impaired, the interest income is determined by applying the effective interest method to the gross carrying amount.

The interest income from financial assets that do not display any indications of impairment upon initial recognition but do so later is determined by applying the effective interest method to amortized cost. If the credit risk of the financial asset which caused the classification as credit-impaired improves in subsequent periods to the extent that the indications of impairment no longer apply, interest income is determined using the effective interest method on the basis of the gross carrying amount.

In the case of financial assets that are purchased or originated credit-impaired, the measurement is not made on the basis of the gross carrying amount, even if the credit risk improves.

Interest income is included in finance revenue in the statement of profit or loss.

Equity instruments classified as FVTOCI
Upon initial recognition, the Company can make an irrevocable decision as to whether it will classify the equity instruments it holds at fair value through other comprehensive income (FVTOCI), whereby only income from dividends are recognized in the profit or loss for the period provided they do not represent any capital repayment. In contrast to debt instruments in the FVTOCI category, the accumulated fair value adjustments are not reclassified through profit or loss upon disposal of the equity instrument. However, this classification is only possible when the equity instrument is not held for trading.

A financial asset is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling in the near term, or
- upon first-time recognition, it is part of a portfolio of clearly identified financial instruments that are managed together in the Group and for which there is evidence of a recent actual pattern of short-term profit-taking

- a derivative except for a designated and effective hedging instrument or a financial guarantee.

Financial assets classified as FVTPL
Financial assets that do not meet the criteria for classification as FVTOCI or amortized cost are classified as FVTPL.

Financial assets classified as FVTPL are measured at fair value at the end of each reporting period, with the associated gains or losses posted through profit or loss, unless they are part of a designated hedge.

Exchange rate gains and losses
The carrying amount of financial assets that are denominated in a foreign currency are translated using the closing rate each reporting period. For

- assets measured at amortized cost and that are not part of a designated hedge, the corresponding gains or losses are also posted through profit or loss.
- The exchange gains or losses on debt instruments classified as FVTOCI and that are not part of a designated hedge are posted to profit or loss on the basis of their amortized cost. Other exchange gains or losses are generally posted to the foreign currency translation reserve in other comprehensive income.
- Exchange gains and losses on financial assets classified as FVTPL are posted through profit or loss, provided the instrument is not part of a designated hedge.
- Exchange gains and losses on equity instruments classified as FVTOCI are posted to the foreign currency translation reserve in other comprehensive income.

Impairment of financial assets
Applying the expected loss model to account for the anticipated losses on financial assets, impairments are recognized of any debt instruments classified as at amortized cost or as FVTOCI. No impairment losses are recognized on equity instruments. The amount of expected credit losses is revised each reporting date in order to account of changes in the credit risk that have occurred since initial recognition.

The Company applies the simplified approach to its trade receivables and contractual assets. Under this approach, the lifetime expected credit losses are used to determine any impairment losses. This requires the Company to record impairment losses based on past loss ratios.

Significant increase in credit risk
The Company defines credit risk to be the risk that a contractual counterparty will not perform its contractual obligations, leading to a financial loss for the Group. In the course of its operating business, the Group is exposed to credit risks in its trade receivables or other financial instruments, for instance.

When assessing whether there has been a significant increase in the credit risk the Company considers the available quantitative and qualitative information that is relevant to the decision. This includes both historical and forward-looking information. Country-specific default rates experienced in the past are also referred to in order to determine the respective probability of default.

Forward-looking information includes information on the development of the sector in which the debtor operates. This information is sourced from industry experts, financial analysts or public bodies.

The following factors are considered when classifying the credit risk:

- Type of financial instrument
- Credit risk rating
- Type of collateral
- Date of first-time recognition
- Residual term
- Sector

At regular intervals, KATEK monitors whether these criteria are still valid for assessing the credit risk and adjusts them accordingly if they are no longer accurate.

Financial assets that are purchased or originated credit-impaired
A financial asset is purchased or originated credit-impaired when one or more of the following events have occurred:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments,
- the lender, for economic or contractual reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for that financial asset because of financial difficulties
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses

Derecognition of a financial asset
The Group derecognizes a financial asset when, and only when, the contractual rights to receive cash flows from the financial asset expire or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to a third party.

If the Group neither transfers nor retains substantially all the risks and rewards of the asset nor transferred control of the asset, the Group recognizes an asset to the extent of the Group's continuing involvement in the asset and a corresponding liability for any consideration that the Group could be required to pay.

If the Group retains substantially all risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and a secured loan for the consideration received.

If a financial asset is fully written off, the difference between its carrying amount and the sum of consideration received or to be received is posted to profit or loss. For debt instruments classified as FVTOCI, the accumulated gains or losses attributable to the asset and recorded in other comprehensive income are reclassified to profit or loss. By contrast, the accumulated gains or losses on equity instruments classified as FVTOCI are not recycled through profit or loss but can be reclassified to the revenue reserves without affecting income.

Financial liabilities
Debt instruments and equity instruments are classified as either financial liabilities or as equity, depending on the economic content of the contractual relationship and their definitions.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the amount received upon issue less any directly allocable transaction costs. Transaction costs are costs that would not have been incurred had the instrument not been issued.

Repurchases of the reporting entity's own equity instruments are deducted directly from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

Financial liabilities
Financial liabilities are classified either as at amortized cost using the effective interest method or as FVTPL.

Financial liabilities classified as FVTPL
Financial liabilities are classified as FVTPL if the financial liability

- is a liability for which the fair value option has been exercised,
- is held for trading
- or contains contingent claims of a purchaser within the framework of a business combination in the sense of IFRS 3

Financial liabilities classified as FVTPL are measured at fair value. Changes in fair value are posted through profit or loss unless they are a component of a designated hedge. Interest payments on the financial liability are considered in the process.

If the change in fair value can be attributed to a change in the credit risk of the liability, the associated gains or losses are posted to other comprehensive income without affecting income. Future changes are not posted through profit or loss. Rather they are reclassified to revenue reserves upon derecognition of the financial liability.

Derecognition of a financial liability
A financial liability is derecognized in full or in part when it is settled, repurchased or a debt waiver is issued. The difference between the carrying amount of the financial liability and the consideration paid and payable is posted through profit or loss.

4.12 Government grants

Government grants are recognized at fair value if there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them.

4.13 Income taxes

Current income taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the countries where the KATEK Group operates.

Deferred taxes are determined according to the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using the tax rates expected to apply in the period in which an asset is realized or a liability is settled. The measurement of deferred taxes considers the tax consequences arising from the nature in which an asset is realized or a liability settled.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. They are not discounted and are disclosed as non-current assets or non-current liabilities.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. This assessment is revised each reporting date.

Current and deferred taxes are charged or credited directly to equity if the taxes relate to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax liabilities have not been provided on undistributed earnings of equity investments to the extent the earnings are intended to remain indefinitely invested in those entities. A deferred tax liability is presented for all taxable temporary differences except those that originate from goodwill, which cannot be deducted for tax purposes.

Deferred tax assets also include tax credits that result from the expected utilization of unused tax losses and tax benefits in subsequent years, and the realization of which can be assumed with sufficient certainty.

4.14 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations consist of the obligations of the Company arising from defined benefit plans.

The obligations under defined benefit plans are calculated using the projected unit credit method. The measurement of the defined benefit obligation is based on actuarial appraisals. These consider wage and salary trends and pension trends, which increase the amount of the obligation. Mortality rates and the probability of plan exits are sourced from the 2018 G mortality tables issued by Dr. Klaus Heubeck.

If pension obligations are fully covered by plan assets they are presented net. The measurement of pension provisions and the calculation of pension expenses is based on the defined benefit obligation. Actuarial gains and losses are recorded directly in equity taking deferred taxes into account. Past service cost is recorded immediately in profit and loss. Service cost is disclosed in personnel expenses while net interest of the addition to the provision and income from plan assets is recorded in financial expenses.

4.15 Other provisions

Other provisions are recognized for present legal or constructive obligations arising from past events that are more likely than not to lead to an outflow of resources embodying economic benefits and the obligation can be reliably measured.

They are measured at the best estimate of the most likely settlement amount or, if the probabilities are evenly distributed, at the expected value of the settlement amount. Provisions are only recognized for obligations towards third parties.

They are measured at full cost taking account of future cost increases.
Where the time value of money is significant, non-current provisions due in more than one year are stated at their settlement amount discounted to the reporting date using the corresponding interest rates, depending on the underlying terms of the obligations.

4.16 Contingent liabilities

Contingent liabilities represent possible obligations which are a result of a past events and whose existence depends on the occurrence of one or more uncertain future events that are not wholly within the control of the KATEK Group. Moreover, contingent liabilities are present obligations based on past events that are not, however, recognized because an outflow of resources embodying economic benefits to settle the obligation is not likely or cannot be reliably estimated. Contingent liabilities are therefore not recognized in the statement of financial position. Rather, they are disclosed and explained in the notes to the financial statements.

4.17 Estimates and assumptions

Judgement is exercised when applying accounting policies. The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

- Determining the fair values of assets and liabilities and the useful lives of assets is based on assessments and planning calculations by management. This also applies to the calculation of impairment losses on property, plant and equipment, intangible assets and financial assets.

- Impairment losses on doubtful debts are recognized in the form of loss allowances to cover the expected credit losses arising from the insolvency or unwillingness of the customer to settle the invoice.

- In the course of calculating potential impairment losses, forward-looking information is also referred to in order to derive the assumed probabilities of default and the expected losses.

- Other assumptions are needed in the calculation of current and deferred taxes. In particular, the ability of being able to generate the corresponding taxable income plays a significant role in assessing whether deferred tax assets can be utilized or not.

- Furthermore, the discount factors, expected wage and salary trends, pension trends and employee churn, as well as mortality rates, are key estimates used as inputs in the recognition and measurement of pension provisions.

- In the course of impairment testing, assumptions are made during the calculation of the recoverable amount.

- In terms of revenue recognition, assumptions are needed at various places when assessing contracts with customers. This applies to the calculation of amounts that will not be realized due to customer returns, but also in the assumptions made regarding the use of discount allowed by customers and whether the volumes for bulk rebates and other sales deductions will be met.

In the cases of such estimation uncertainties, the best available information is drawn on to determine the circumstances on the reporting date. Actual figures may diverge from these estimates. The carrying amounts of those items that are subject to such uncertainties can be seen in the statement of financial position and the associated notes to the financial statements.

As at the date on which these consolidated financial statements were prepared, there are no indications of any significant changes being needed to the assumptions underlying recognition and measurement. To this extent, no notable adjustments are expected from today's perspective to the assumptions, estimates or carrying amounts of the respective assets and liabilities for the financial year from 1 January to 31 December 2019.

B. Notes to the Items of the Consolidated Financial Statements

Notes to the statement of financial position

1. Intangible assets

The carrying amount of intangible assets breaks down on the reporting date as follows:

EUR k	31 Dec 2019	31 Dec 2018
Goodwill	8,521	0
Concessions, industrial rights and patents	761	281
Customer base	8,069	4,884
Technology and patents	1,194	0
Order backlog	358	327
	18,903	**5,491**

The development of intangible assets for the financial year 2019 and the prior year are presented in the following table:

Intangible assets (EUR k)	Cost						
	1 Jan 2019	Additions at cost	Reclassifications at cost	Disposals at cost	Cons. group	Currency	31 Dec 2019
Goodwill	0	0	0	0	8,521	0	8,586
Concessions, industrial rights and licenses acquired for a consideration	3,624	375	8	-862	1,872	3	5,021
Customer base	8,013	0	0	0	5,429	0	13,442
Technology and patents	0	0	0	0	1,374	0	1,374
Order backlog	784	0	0	0	626	0	1,409
31 December 2019	**12,421**	**375**	**8**	**-862**	**17,822**	**3**	**29,833**

Intangible assets (EUR k)	Cost						
	1 Jan 2018	Additions at cost	Reclassifications at cost	Disposals at cost	Cons. group	Currency	31 Dec 2018
Concessions, industrial rights and licenses acquired for a consideration	3,229	232	0	-38	201	0	3,624
Customer base	4,286	0	0	0	3,727	0	8,013
Order backlog	0	0	0	0	784	0	784
31 December 2018	**7,516**	**232**	**0**	**-38**	**4,711**	**0**	**12,421**

Intangible assets (EUR k)	Depreciation and amortization 1 Jan 2019	Additions to impairment losses	Reclassifications of impairment losses	Derecognitions of impairment losses	Write-ups	Impairment losses in the cons. group	Currency	31 Dec 2019	Book value 31 Dec 2019
Goodwill	0	0	0	0	0	0	0	0	8,521
Concessions, industrial rights and licenses acquired for a consideration	-3,344	-362	0	856	0	-1,407	-3	-4,260	761
Customer base	-3,129	-2,244	0	0	0	0	0	-5,374	8,069
Technology and patents	0	-180	0	0	0	0	0	-180	1,194
Order backlog	-457	-594	0	0	0	0	0	-1,052	358
31 December 2019	**-6,930**	**-3,381**	**0**	**856**	**0**	**-1,407**	**-3**	**-10,930**	**18,903**

Intangible assets (EUR k)	Depreciation and amortization 1 Jan 2018	Additions to impairment losses	Reclassifications of impairment losses	Derecognitions of impairment losses	Write-ups	Impairment losses in the cons. group	Currency	31 Dec 2018	Book value 31 Dec 2018
Concessions, industrial rights and licenses acquired for a consideration	-3,101	-281	0	38	0	0	0	-3,344	281
Customer base	-1,429	-1,701	0	0	0	0	0	-3,129	4,884
Order backlog	0	-457	0	0	0	0	0	-457	327
31 December 2018	**-4,530**	**-2,439**	**0**	**38**	**0**	**0**	**0**	**-6,930**	**5,491**

Allocation to cash-generating units
According to IFRS 3, goodwill is not amortized over its useful life but is instead subject to an annual impairment test which compares the carrying amount to the recoverable amount on the reporting date. The recoverable amount is the higher of its fair value less the costs of disposal and value-in-use.

Cash-generating units
When identifying its cash-generating units, the KATEK Group refers to the legal structure which also corresponds to the management reporting structure (referred to as the management approach).

The following cash-generating units were identified:

- Katek Memmingen Group
- Katek Mauerstetten
- Katek Grassau Group
- bebro Group
- eSystems MTG

After deducting impairment losses, the carrying amount of goodwill has been allocated to the cash-generating units as follows:

EUR k	**31 Dec 2019**	**31 Dec 2018**
KATEK Memmingen Group	0	0
KATEK Mauerstetten	8,521	0
Katek Grassau Group	0	0
bebro Group	0	0
eSystems	0	0
	8,521	**0**

KATEK Mauerstetten
The recoverable amount of a cash-generating unit is calculated by assessing its value in use on the basis of future cash flows taken from the financial budget ratified by management for the coming five years and discounted using a before-tax interest rate of 9.54%.

For the entire period covered by the financial budget, the cash flow projections are based on the same anticipated gross margins and the same estimated price increases for raw materials. The cash flow projections were extrapolated to the terminal phase after the detailed five-year planning period assuming a constant growth rate of 0.5%. This corresponds to the average growth rate on the market in which KATEK Mauerstetten operates. Management is of the opinion that there are no reasonably conceivable changes to the basic assumptions used in the determination of the recoverable amount, which would lead to the recoverable amount of the cash-generating unit lying below its accumulated carrying amount.

2. Property, plant and equipment

The carrying amounts of property, plant and equipment are as follows as at the reporting date:

EUR k	31 Dec 2019	31 Dec 2018
Own land and buildings	20,855	6,751
Plant and machinery	20,147	10,677
Operating equipment, furniture and fixtures	5,808	2,353
Payments on account	421	76
Assets under construction	2,461	112
	49,692	**19,968**
of which right-of-use assets (prior year: assets) from leases	18,812	1,993

KATEK has pledged property, plant and equipment of EUR 3,441k (prior year: EUR 8,944k) as security for its existing liabilities to banks. KATEK is not entitled to pledge these assets to any other party or to dispose of them.

In detail, non-current assets developed in financial year 2019 and the prior year as follows:

Property, plant and equipment (EUR k)	Cost							
	1 Jan 2019	Historical cost Addition	Remeasurements at cost	Reclassifications at cost	Historical cost Disposals	Cons. group	Currency	31 Dec 2019
Own land and buildings	9,507	1,209	6,491	79	-294	14,105	58	31,155
Own land and buildings	9,507	291	0	79	-241	10,605	58	20,298
Right-of-use assets to land and buildings	0	918	6,491	0	-53	3,501	0	10,857
Plant and machinery	22,852	2,538	124	209	-2,635	28,972	128	52,188
Plant and machinery	22,852	1,184	-2,723	88	-2,463	22,207	68	41,213
Right-of-use assets to plant and equipment	0	1,354	2,847	121	-172	6,765	60	10,975
Operating equipment, furniture and fixtures and other	9,942	1,685	206	35	-1,310	9,222	19	19,799
Operating equipment, furniture and fixtures	9,942	1,603	0	35	-1,302	9,042	19	19,339
Right-of-use assets to operating equipment, furniture and fixtures	0	82	206	0	-8	180	0	460
Assets under construction and payments on account	187	2,966	0	-331	-1,238	1,292	5	2,882
31 December 2019	**42,487**	**8,397**	**6,821**	**-8**	**-5,477**	**53,592**	**211**	**106,024**

Property, plant and equipment (EUR k)	Cost							
	1 Jan 2018	Historical cost Addition	Remeasurements at cost	Reclassifications at cost	Historical cost Disposals	Cons. group	Currency	31 Dec 2018
Own land and buildings	5,137	116	0	0	0	4,254	0	9,507
Own land and buildings	5,137	116	0	0	0	4,254	0	9,507
Right-of-use assets to land and buildings	0	0	0	0	0	0	0	0
Plant and machinery	14,361	1,232	0	347	-590	7,501	0	22,852
Plant and machinery	14,361	1,232	0	347	-590	7,501	0	22,852
Right-of-use assets to plant and equipment	0	0	0	0	0	0	0	0
Operating equipment, furniture and fixtures and other	8,905	561	0	57	-290	709	0	9,942
Operating equipment, furniture and fixtures	8,905	561	0	57	-290	709	0	9,942
Right-of-use assets to operating equipment, furniture and fixtures	0	0	0	0	0	0	0	0
Assets under construction and payments on account	180	496	0	-404	-235	150	0	187
31 December 2018	**28,582**	**2,405**	**0**	**0**	**-1,115**	**12,615**	**0**	**42,487**

Property, plant and equipment (EUR k)	Depreciation and amortization								Book value
	1 Jan 2019	IL Additions	IL Reclassifications	IL Disposals	Write-ups	Impairment losses in the cons. group	Currency	31 Dec 2019	31 Dec 2019
Own land and buildings	-2,755	-2,442	0	286	0	-5,368	-20	-10,299	20,855
Own land and buildings	-2,755	-430	0	232	0	-5,368	-20	-8,340	11,958
Right-of-use assets to land and buildings	0	-2,012	0	53	0	0	0	-1,959	8,898
Plant and machinery	-12,175	-3,680	0	2,436	0	-18,559	-64	-32,041	20,147
Plant and machinery	-12,175	-3,222	770	2,416	0	-18,362	-62	-30,634	10,578
Right-of-use assets to plant and equipment	0	-458	-770	20	0	-197	-2	-1,407	9,568
Operating equipment, furniture and fixtures and other	-7,589	-1,498	0	1,268	0	-6,153	-19	-13,992	5,808
Operating equipment, furniture and fixtures	-7,589	-1,377	0	1,260	0	-6,153	-19	-13,878	5,461
Right-of-use assets to operating equipment, furniture and fixtures	0	-122	0	8	0	0	0	-114	346
Assets under construction and payments on account	0	0	0	0	0	0	0	0	2,882
31 December 2019	**-22,519**	**-7,620**	**0**	**3,990**	**0**	**-30,080**	**-103**	**-56,332**	**49,692**

Property, plant and equipment (EUR k)	Depreciation and amortization								Book value
	1 Jan 2018	IL Additions	IL Reclassifications	IL Disposals	Write-ups	Impairment losses in the cons. group	Currency	31 Dec 2018	31 Dec 2018
Own land and buildings	-2,448	-307	0	0	0	0	0	-2,755	6,751
Own land and buildings	-2,448	-307	0	0	0	0	0	-2,755	6,751
Right-of-use assets to land and buildings	0	0	0	0	0	0	0	0	0
Plant and machinery	-10,687	-2,007	0	519	0	0	0	-12,175	10,677
Plant and machinery	-10,687	-2,007		519	0	0	0	-12,175	10,677
Right-of-use assets to plant and equipment	0	0	0	0	0	0	0	0	0
Operating equipment, furniture and fixtures and other	-6,990	-790	0	192	0	0	0	-7,589	2,353
Operating equipment, furniture and fixtures	-6,990	-790	0	192	0	0	0	-7,589	2,353
Right-of-use assets to operating equipment, furniture and fixtures	0	0	0	0	0	0	0	0	0
Assets under construction and payments on account	0	0	0	0	0	0	0	0	187
31 December 2018	**-20,126**	**-3,104**	**0**	**711**	**0**	**0**	**0**	**-22,519**	**19,968**

There were no significant assets falling under the scope of IAS 23 in the reporting year.

3. Inventories

Inventories break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Raw materials, consumables and supplies	63,156	42,937
Work in process	21,968	4,920
Finished goods and merchandise	16,139	10,818
Payments on account	200	244
	101,463	**58,919**

An amount of EUR 184,772k was expensed during the financial year in connection with inventories (prior year: EUR 110,886k).

The historical cost of inventories expensed through the cost of materials includes write-downs to net realizable value of EUR 1,501k (prior year: write-ups of EUR 1,807k) due to excessive inventory range, aging stocks and obsolescence or subsequent costs.

Inventories of EUR 23,956k (prior year: EUR 39,093k) were pledged as collateral for loans.

4. Trade receivables

EUR k	31 Dec 2019	31 Dec 2018
Trade receivables	17,537	12,467
Bad debt allowances	-674	-126
	16,863	**12,341**

Generally, the group entities grant terms of payment of between 30 and 45 days. The Group does not charge the customers any interest for this period. Thereafter, contractual late-payment penalties on the outstanding amount are charged, depending on the individual case and the customary patterns in the respective country.

Trade receivables whose collection has become doubtful are accounted for by loss allowances.

These impairment losses on trade receivables are explained in note 10.

The carrying amounts of trade receivables are considered to be a reasonable estimation of their fair values.
All trade receivables are due within one year.

The Group has pledged trade receivables of EUR 2,607k (prior year: EUR 10,326k) as collateral for its existing liabilities to banks.

5. Other assets and prepaid expenses

Other assets break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Other tax refund claims	804	156
Advances	0	8
Prepaid expenses	605	243
Other assets	67	21
	1,476	**428**

Other tax benefits consist mostly of VAT receivables and have increased due to an extraordinary item in 2019.

6. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits. Their carrying amount is a reasonable estimate of their fair value. Bank deposits are kept for the sole purpose of short-term cash management.

7. Equity

Subscribed capital

The subscribed capital of KATEK SE amounts to EUR 120k (prior year: EUR 120k) and is fully paid in. It consists of 120,000 common no-par value bearer shares.

Capital reserve

The capital reserve amounts to EUR 4,880k (prior year: EUR 4,880k).

Revenue reserves

The revenue reserves comprise the earnings of past periods of the consolidated entities and other components of equity (other comprehensive income) which consists of the reserve for actuarial gains and losses and the foreign currency translation reserve.

The reserve for actuarial gains and losses decreased in financial year 2019 by EUR 86k to EUR -254k (prior year: EUR -167k). The effects of remeasuring the defined benefit obligation is posted directly to other comprehensive income and accumulated in the reserve for actuarial gains and losses.

The foreign currency translation reserve increased in financial year 2019 to EUR 16k (prior year: EUR 0k). Exchange rate differences arising from the translation of the functional currency of foreign operations into the presentation currency of the Group are recorded directly in other comprehensive income and accumulated in the reserve for foreign currency translation.

The effects of the contribution in kind of the shares in KATEK Memmingen GmbH, Memmingen (formerly Steca Elektronik GmbH, Memmingen), and Katek GmbH, Grassau, in 2018 are presented in the statement of shareholders' equity.

8. Employee benefits

Pensions

Provisions for pensions and similar obligations are recorded as a result of benefit plans for old age, disability and surviving dependents' pension commitments. Pensions are generally based on the length of service, the compensation received and level of the employee receiving the pension within the organization. The direct and indirect obligations comprise current pensions and vested benefits for future benefits and retirement benefits.

Actuarial assumptions:

The benefit obligations are calculated using actuarial methods. These include assumptions concerning future wage and salary trends and pension increases.

The actuarial assumptions used by the consolidated entities lie within the following ranges:

EUR k	31 Dec 2019	31 Dec 2018
Interest rate	0.75%	1.75%
Salary trend	n.a.	n.a.
Pension increases – separate commitments	1.25%	1.25%

Development of the DBO and similar obligations:

EUR k	2019	2018
1 Jan	1,377	369
Service cost	0	0
Interest expense (+) and interest income (-)	20	27
Actuarial gains (-) and losses (+)	135	258
Business combinations	2,438	777
Pension payments	-475	-54
31 Dec	**3,495**	**1,377**

The most significant developments in plan assets were as follows:

EUR k	2019	2018
1 Jan	927	512
Income/expenses affecting plan assets	24	61
Contributions by employer	0	0
Pension payments	0	0
Business combinations	1,118	354
31 Dec	**2,069**	**927**

Plan assets largely consist of the fair values of life insurance policies communicated by the insurance carriers used to cover the pension commitments of the KATEK Group. In addition, plan assets also consist of cash and cash equivalents and other asset categories. The fair values of the most significant asset categories on the reporting date are presented below:

EUR k	31 Dec 2019	31 Dec 2018
Pension liability insurance	1,666	546
Cash and cash equivalents	309	280
Real estate	93	101
	2,069	**927**

As in the prior year, the fair values of pension insurance policies were determined using the valuation techniques employed by the insurance carriers and are not based on prices quoted on active markets.

The KATEK Group expects undiscounted pension payments of EUR 147k (prior year: EUR 55k).

The following amounts have been recorded for defined benefit plans in comprehensive income:

EUR k	31 Dec 2019	31 Dec 2018
Actuarial gain (-)/loss (+) due to changes in financial assumptions	135	258
Net interest expenses	20	27
Amounts presented in the statement of comprehensive income	**155**	**285**

The effects of remeasuring the defined benefit obligation is posted to other comprehensive income.

The obligations of the Company from defined benefit plans as reported in the statement of financial position are as follows:

EUR k	31 Dec 2019	31 Dec 2018
Net present value of the defined benefit obligations	3,495	1,377
Fair value of plan assets	-2,069	-927
Funding deficit	**1,426**	**450**
Reconciliation to carrying amounts		
Employee benefits	21	0
Provisions for pensions and similar obligations	**1,447**	**450**

The relevant actuarial parameters used to measure defined benefit obligations are the discount rate, expected salary increases and mortality. The sensitivity analyses presented below have been conducted on the basis of a prudent assessment of possible changes to the respective assumptions on the reporting date with all other assumptions remaining unchanged.

- If the discount rate increased (decreased) by 100 basis points the defined benefit obligation would decrease by EUR 224k (prior year: EUR 98k) (increase by EUR 267k (prior year: EUR 115k)).
- If the anticipated pension trend was 0.25% higher (lower), the defined benefit obligation would increase by EUR 68k (prior year: EUR 25k) (decrease by EUR 65k (prior year: EUR 26k)).

The above sensitivity analyses may not be seen as representative of the actual changes in defined benefit obligations as it is unlikely that the changes in the assumptions made would occur in isolation as they are interrelated.

The weighted average residual term of the defined benefit obligations came to 11.6 years as at 31 December 2019.

9. Other provisions

Other provisions break down over the corresponding terms as follows:

	31 Dec 2019		31 Dec 2018	
EUR k	Current	Non-current	Current	Non-current
Other provisions				
Guarantees and warranties	3,266	78	1,808	0
Accruals for pending losses	258	0	172	0
Other	536	0	343	0
	4,061	**78**	**2,322**	**0**

EUR k	1 Jan 2019	Utilization	Reversal	Additions	Discounting	Changes in the consolidated group	31 Dec 2019
Other provisions							
Guaranties and warranties	1,808	-811	-288	1,567	-2	1,071	3,344
Provision for onerous contracts	172	-10	-162	8	0	250	258
Other	343	-223	-315	54	0	678	536
	2,322	**-1,044**	**-765**	**1,629**	**-2**	**1,999**	**4,138**

The provisions for warranties are based on the best estimate of management of the present value of the outflow of resources embodying benefits needed to settle the obligations arising from the guarantees issued by the Group on the basis of the sale of goods and services under the local legislation. The estimate was based on past experience with warranties and can fluctuate due to materials, production processes or other factors affecting production quality.

The provision for onerous contracts corresponds to the expected costs needed to complete customer contracts. This represents the best estimate of local management and can fluctuate in future due to adjustments to labor costs and material. The expected costs amount to EUR 258k in 2019 (prior year: EUR 172k).

10. Financial instruments

Classification and fair values

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2019. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classification.

			Measurement pursuant to IFRS 9					
Financial instruments	**Category pursuant to IFRS 9**	**Carrying amount as at 31 Dec 2019**	**Amortized cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Measurement pursuant to IFRS 9**	**of which assets and liabilities falling under IFRS 16**	**Fair value as at 31 Dec 2019**
Assets								
Trade receivables	AC	16,863	16,863	0	0	**16,863**	**0**	**16,863**
Equity investments	FVTOCI	8	0	8	0	**8**	**0**	**8**
Receivables from financial derivatives	FVTPL	103	0	0	103	**103**	**0**	**103**
Other financial assets	AC	5,072	5,072	0	0	**5,072**	**0**	**5,072**
Cash and cash equivalents	AC	10,429	10,429	0	0	**10,429**	**0**	**10,429**
Equity and liabilities								
Liabilities to banks	AC	59,720	59,720	0	0	**59,720**	**0**	**59,720**
Trade payables	AC	22,554	22,554	0	0	**22,554**	**0**	**22,554**
Liabilities from financial derivatives	FVTPL	314	0	0	314	**314**	**0**	**314**
Other financial liabilities	AC	63,471	63,471	0	0	**63,471**	**0**	**63,471**
Lease liabilities	n.a.	19,250	0	0	0	**0**	**19,250**	**19,250**

The following table reconciles the financial instruments contained in the line items of the statement of financial position to the classifications and measurement categories of IFRS 9 as at 31 December 2018. In addition, it presents the accumulated carrying amounts of the measurement categories and the fair value of each classification.

			Measurement pursuant to IFRS 9					
Financial instruments	**Category pursuant to IFRS 9**	**Carrying amount as at 31 Dec 2018**	**Amortized cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Measurement pursuant to IFRS 9**	**of which assets and liabilities falling under IAS 17**	**Fair value as at 31 Dec 2018**
Assets								
Trade receivables	AC	12,341	12,341	0	0	**12,341**	**0**	**12,341**
Equity investments	FVTOCI	8	0	8	0	**8**	**0**	**8**
Other financial assets	AC	2,758	2,758	0	0	**2,758**	**0**	**2,758**
Cash and cash equivalents	AC	5,399	5,399	0	0	**5,399**	**0**	**5,399**
Equity and liabilities								
Liabilities to banks	AC	24,652	24,652	0	0	**24,652**	**0**	**24,652**
Trade payables	AC	14,370	14,370	0	0	**14,370**	**0**	**14,370**
Liabilities from financial derivatives	FVTPL	481	0	0	481	**481**	**0**	**481**
Other financial liabilities	AC	28,617	28,617	0	0	**28,617**	**0**	**28,617**
Lease liabilities	n.a.	2,103	0	0	0	**0**	**2,103**	**2,103**

IFRS 13 governs fair value measurement and the associated disclosures required in the notes. Fair value is defined as that price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are allocated to the three levels of the fair value hierarchy in accordance with IFRS 13. The individual levels of the fair value hierarchy are defined as follows:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: information other than quoted market prices that are observable either directly or indirectly

Level 3: information on assets and liabilities that is not based on observable market prices

The following table presents the levels of the fair value hierarchy of assets and liabilities measured at fair value:

	31 Dec 2019			31 Dec 2018		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Equity investments			8			8
Receivables from financial derivatives			103			
Equity and liabilities						
Liabilities from financial derivatives			314			481

The fair value of instruments in level 3 of the hierarchy is measured using valuation techniques based on inputs that are not observable on active markets.

Equity instruments are allocated to the category of at fair value through other comprehensive income.

The following table shows the fair value hierarchy of assets and liabilities which are not measured at fair value in the statement of financial position, but whose fair value is nevertheless disclosed here.

	31 Dec 2019			31 Dec 2018		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Trade receivables	16,863			12,341		
Other financial assets	5,072			2,758		
Cash and cash equivalents	10,429			5,399		
Equity and liabilities						
Liabilities to banks	59,720			24,652		
Trade payables	22,554			14,370		
Other financial liabilities	63,471			28,617		
Trade payables		19,250			2,103	

The calculation of fair value in level 1 of the hierarchy is determined by referring to prices quoted on an active market (unadjusted) for identical assets or liabilities to which KATEK had access on the reporting date.

The fair value of instruments allocated to level 2 of the hierarchy is determined using a discounted cash flow model and inputs other than quoted prices included within level 1, that are observable either directly or indirectly.

The assessment of whether a financial asset or financial liability measured at fair value should be reclassified to a different level of the fair value hierarchy is made at the end of each respective reporting period. No such reclassifications were made in the reporting period.

The Company reports **liabilities to banks** of EUR 59,720k as at the reporting date (prior year: EUR 24,652k). The loans bear interest between 1.10% and 2.50% and mature between 0.1 years and 7 years. The loans are secured by mortgages of EUR 2,670k (prior year: EUR 0k). Some of the liabilities to banks are based on contracts that contain a number of covenants which must be observed. The relevant financial indicators are monitored on a day-to-day basis and reported to management.

Other financial assets include the following items:

EUR k	31 Dec 2019	31 Dec 2018
Equity investments	8	8
	8	**8**

Other current financial assets break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Receivables from derivatives	103	0
Other current financial assets	5,025	2,758
	5,129	**2,758**

Other current financial assets in 2019 contain receivables from factoring arrangements of EUR 2,625k (prior year: EUR 0k).

Other non-current financial assets break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Other non-current financial assets	46	0
	46	**0**

Other current financial liabilities break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Liabilities from derivative financial instruments	178	214
Lease liabilities	3,568	31
Other financial liabilities	287	612
	4,033	**857**

Other non-current financial liabilities break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Liabilities from derivative financial instruments	136	267
Lease liabilities	15,682	2,072
Other financial liabilities	63,185	28,004
	79,002	**30,343**

The increase in current and non-current lease liabilities in 2019 is due to the first-time application of IFRS 16, which governs the accounting of leases. In 2018 lease liabilities merely comprised finance leases recognized in accordance with IAS 17.

Non-current other financial liabilities consist of shareholder loans.

The terms of all lease liabilities break down as follows as at the reporting date:

EUR k	31 Dec 2019	31 Dec 2018
Liabilities from leases of 1 year or less	3,568	31
Liabilities from leases of 1 to 5 years	13,560	2,072
Liabilities from leases of more than 5 years	2,122	0
Total lease liabilities	**19,250**	**2,103**

Financial risk management

Principles of risk management

The objective of the KATEK risk policy is to identify any going concern risks or significant risks to the business and manage these responsibly.

Risks are regularly assessed at KATEK in the course of a risk analysis.

Liquidity risks

Due to its capital base and access to long-term finance, the KATEK Group assesses the liquidity risk to be moderate.

In order to secure the solvency of subsidiaries at all times, the Group monitors the development of its subsidiaries' liquidity on a continuous basis.

The following table shows the contractual undiscounted payments of principal and interest for the financial instruments falling under the scope of IFRS 7:

31 Dec 2019 EUR k	Cash flows 2020	Cash flows 2021	Cash flows 2022-2024	Cash flows 2025 and thereafter
Liabilities to banks	30,777	4,093	10,926	14,043
Lease liabilities	3,568	5,646	7,916	2,122
Trade payables	22,554	0	0	0
Liabilities from financial derivatives	178	80	56	0
Other financial liabilities	287	5,608	57,608	5,360
	57,363	**15,427**	**76,506**	**21,525**

31 Dec 2018 EUR k	Cash flows 2019	Cash flows 2020	Cash flows 2021-2023	Cash flows 2024 and thereafter
Liabilities to banks	13,593	2,171	6,128	3,646
Lease liabilities	31	863	1,210	0
Trade payables	14,370	0	0	0
Liabilities from financial derivatives	214	267	0	0
Other financial liabilities	1,119	0	32,354	0
	29,325	**3,301**	**39,692**	**3,646**

Includes all instruments in the portfolio on the reporting date for which payments had already been contractually agreed. Items denominated in foreign currency are translated using the spot rate on the closing date. The variable interest payments from financial instruments were determined based on the interest rates most recently fixed before the respective cut-off date. All on-call financial liabilities are allocated to the earliest possible period in the table.

Currency risks

Certain transactions in the Group are denominated in foreign currency. This results in risks from fluctuations in exchange rates.

The carrying amounts of monetary assets and liabilities denominated in foreign currency that are subject to a currency risk posted through profit or loss and where the currency is significant for the Group are as follows:

	Current		
EUR k	**HUF**	**CZK**	**JPY**
Financial assets	132	281	0
Financial liabilities	405	1,314	448
31 Dec 2019	**-273**	**-1,034**	**-448**

	Current		
EUR k	**HUF**	**CZK**	**JPY**
Financial assets	203	0	0
Financial liabilities	440	0	422
31 Dec 2018	**-237**	**0**	**-422**

Sensitivity analysis for currency risks

The following table presents the sensitivity of profit or loss and equity to the financial assets and financial liabilities of the Group and the HUF/EUR, CZK/EUR and JPY/EUR exchange rates, assuming all other parameters remain unchanged. A change of +/- 5% in the HUF/EUR, CZK/EUR and JPY/EUR exchange rates is assumed as at 31 December 2019 and 31 December 2018.

If the EUR had appreciated by 5% against the HUF in 2019 and in 2018, the effects would have been as follows:

HUF to EUR k	Profit	Equity
31 Dec 2019	13	13
31 Dec 2018	11	11

If the EUR had depreciated by 5% against the HUF in 2019 and in 2018, the effects would have been as follows:

HUF to EUR k	Profit	Equity
31 Dec 2019	-14	-14
31 Dec 2018	-12	-12

If the EUR had appreciated by 5% against the CZK in 2019 and in 2018, the effects would have been as follows:

CZK to EUR k	Profit	Equity
31 Dec 2019	49	-173
31 Dec 2018	0	0

If the EUR had depreciated by 5% against the CZK in 2019 and in 2018, the effects would have been as follows:

CZK to EUR k	Profit	Equity
31 Dec 2019	-54	191
31 Dec 2018	0	0

If the EUR had appreciated by 5% against the JPY in 2019 and in 2018, the effects would have been as follows:

JPY to EUR k	Profit	Equity
31 Dec 2019	21	21
31 Dec 2018	20	20

If the EUR had depreciated by 5% against the JPY in 2019 and in 2018, the effects would have been as follows:

JPY to EUR k	Profit	Equity
31 Dec 2019	-24	-24
31 Dec 2018	-22	-22

Currency risks vary over the year depending on the volume of the transactions. Nevertheless, the above analysis is representative of the currency risk of the Group.

Forward exchange contracts and interest swaps

In keeping with the Group's policy, forward exchange contracts are entered into to hedge certain cash inflows and cash outflows denominated in foreign currency against the risk of fluctuations in exchange rates. Forward exchange contracts are initially recognized at fair value on the date they are entered into and remeasured at fair value on each reporting date. As the Group does not define forward exchange contracts as hedging instruments within the framework of hedge accounting, the gains or losses arising from their measurement are posted immediately to profit or loss.

	Nominal amount		Market value	
EUR k	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Forward exchange contract USD k	15,480	10,000	5	-214

	Nominal amount		Market value	
EUR k	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interest rate swaps	2,500	2,500	-216	-267

Credit risk

Credit risk is the risk of incurring a financial loss if a counterparty fails to meet its contractual performance obligations towards the Group. The Group is exposed to this risk with regard to a number of financial instruments, such as extending trade credit to customers, its trade receivables, the acquisition of equity instruments, cash investments, etc. The maximum credit risk for the Group is limited to the carrying amounts of the respective financial assets carried on the reporting date, which are summarized below:

EUR k	31 Dec 2019	31 Dec 2018
Financial assets – carrying amounts		
Cash and cash equivalents	10,429	5,399
Trade receivables	16,863	12,341
Equity investments	8	8
Receivables from derivatives	103	0
Other financial assets	5,072	2,758
	32,475	**20,505**

The Group continuously monitors bad debts from customers and other contractual partners, which are identified either on an individual or a portfolio basis, and includes this information within the framework of its credit risk controls. External ratings and/or reports are obtained on customers and other contractual partners, if available at a reasonable price, and analyzed accordingly. The Group's policy is to only do business with contractual partners who exhibit the requisite credit-worthiness.

The credit risk for cash and cash equivalents is deemed to be negligible as the counterparties are reputable banks with extremely high credit ratings.

Loss allowances are recorded on the basis of information relating to the current business situation of the counterparty and past experience of their payment patterns. Consequently, loss allowances are recorded when the expected future cash inflows are lower than the carrying amount of the respective receivable.

The Group performs an internal credit assessment and obtains credit ratings from external agencies before doing business with a new customer in order to assess the credit worthiness of prospective customers and define their credit limits. The customer ratings and credit limits are reviewed regularly.

KATEK applies the expected loss model in accordance with IFRS 9 to measure its loss allowances. This involves recognizing expected losses and not merely any losses that have already been incurred.

The following table contains information on the estimated risk of counterparty default and expected credit losses attached to trade receivables, contractual assets pursuant to IFRS 15 and other receivables as at 31 December 2019 and 31 December 2018:

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	2.33%	15,067	-350	No
1-30 days past due	1.61%	2,168	-35	No
31-60 days past due	3.38%	573	-19	No
61-90 days past due	3.87%	220	-9	No
91-180 days past due	18.50%	83	-15	No
181-360 days past due	42.17%	545	-230	Yes
more than 360 days past due	92.38%	17	-16	Yes
Total as at 31 Dec 2019		**18,674**	**-674**	

EUR k	Loss ratio	Gross carrying amount	Loss allowance	Restricted credit rating
not past due	0.16%	11,766	-19	No
1-30 days past due	0.33%	1,817	-6	No
31-60 days past due	0.81%	480	-4	No
61-90 days past due	1.63%	184	-3	No
91-180 days past due	4.07%	176	-7	No
181-360 days past due	10.18%	787	-80	No
more than 360 days past due	16.29%	42	-7	No
Total as at 31 Dec 2018		**15,253**	**-126**	

The loss allowances recognized by the KATEK Group in connection with the expected loss model developed as follows:

EUR k	31 Dec 2019	31 Dec 2018
Opening balance	126	208
Additions	425	125
Utilization	0	-15
Reversals	-135	-260
Changes in the scope of consolidation	258	68
Exchange rate differences, other changes	0	0
	674	**126**

Expected credit losses on trade receivables that are not written down by loss allowances on an item-by-item basis are recognized using the simplified approach, which sets appropriate loss ratios on the basis of a table categorized by the days past due of the respective trade receivables. Loss allowances recognized using this table amounted to EUR 261k (prior year: EUR 126k).

The Group is exposed to a credit risk with regard to trade receivables and other receivables from individual customers. Based on past experience, management assesses the recoverability of trade receivables that are neither past due nor impaired to be good.

Interest rate risk

The Group's policy is to minimize its interest rate exposure inherent in its long-term borrowings. As at 31 December 2019 and 2018 the Group was exposed to interest risks from floating rate bank loans. The interest rate exposure arising from the Group's money market funds is considered to be immaterial.

The following table demonstrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. Changes of this scale are considered sensible based on the observations of the latest market developments. The calculations are based on a change in the average market interest rate for each period and financial instruments exposed to interest rate risks on each reporting date. All other variables were maintained constant.

	Profit		Equity	
EUR k	**+ 1%**	**- 1%**	**+ 1%**	**- 1%**
2019	-223	223	-223	223
2018	-126	126	-126	126

11. Trade payables

All trade payables are due within 12 months. As in the past, the customary retention of title clauses apply until the liabilities are finally settled.

The carrying amounts of trade payables are considered to be a reasonable estimate of their fair values.

12. Contract liabilities and payments received on account of orders

Contract liabilities related to construction contracts represent obligations towards customers arising from construction contracts.

The increase in payments received on account of orders in financial year 2019 mainly results from additions to the consolidated group.

As at 31 December 2019 contract liabilities and payments received on account are as follows:

EUR k	31 Dec 2019	31 Dec 2018
Payments received	1,945	553
	1,945	**553**
Current	1,945	553
	1,945	**553**

The following table shows how much of the revenue generated in the financial year relates to contract liabilities rolled forward.

EUR k	31 Dec 2019	31 Dec 2018
Payments received	553	128
	553	**128**

13. Other liabilities and deferred income

EUR k	up to 1 year	1 to 5 years	more than 5 years	Total
Personnel liabilities	7,043	0	563	7,606
Tax liabilities	2,353	0	0	2,353
Other liabilities	479	0	0	479
Sales bonuses and compensation payments to sales agents	163	0	0	163
Prepaid expenses	92	0	0	92
31 Dec 2019	**10,130**	**0**	**563**	**10,693**

EUR k	up to 1 year	1 to 5 years	more than 5 years	Total
Personnel liabilities	4,012	0	453	4,465
Tax liabilities	1,413	0	0	1,413
Other liabilities	167	0	0	167
31 Dec 2018	**5,592**	**0**	**453**	**6,045**

Current personnel liabilities break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Other liabilities to employees	1,635	1,289
Bonuses and management incentives	1,864	990
Vacation, flexitime credits	1,623	724
Liabilities relating to social security	521	259
Sundry other personnel liabilities	64	11
Compensation and severance payments	625	140
Obligations for employers' liability insurance	357	189
Obligations from 'Altersteilzeit' (German phased retirement scheme)	354	410
	7,043	**4,012**

Non-current provisions for obligations towards personnel contain provisions for long-service awards of EUR 563k (prior year EUR 453k).

14. Capital risk management

The Group manages its capital with the goal of ensuring that all group entities can operate on the assumption that they are going concerns and simultaneously to maximize the income of shareholders by optimizing the ratio of equity to debt capital.

The capital structure of the Group consists of liabilities, cash and cash equivalents and the equity allocable to the shareholders of the parent company. The latter consists of subscribed capital, the capital reserve and revenue reserves.

The capital structure of the Group is managed and adjusted in response to changes in the business environment.

Management monitors the capital structure of the Company at regular intervals. This involves reporting of the equity of subsidiaries as well as the existing forms of financing.

The Group monitors its capital structure using its leverage ratio.

As at the reporting date, the equity ratio came to approximately 9% (prior year: 21%) and the debt ratio (net debt to equity) to approximately 252.6% (prior year: 88.4%). This can be primarily attributed to the acquisitions made in 2019. The Company intends to further optimize its capital structure by including earnings and risk-related indicators in its assessments in future.

EUR k	31 Dec 2019	31 Dec 2018
Liabilities to banks	59,720	24,652
Cash on hand and bank deposits	-10,429	-5,399
Net debt	**49,291**	**19,253**
Equity	19,514	21,775
Ratio of net debt to equity	**252.6%**	**88.4%**

The capital structure of the Group is reviewed at regular intervals as part of risk management.

Notes to the consolidated statement of profit or loss

15. Revenue

KATEK develops and manufactures bespoke electronic components and systems for all kinds of industries. The key revenue streams are automotive, communication, consumer, industry, energy/solar, and medical technology.

The following table breaks down revenue by region:

EUR k	**31 Dec 2019**	**31 Dec 2018**
Germany	170,602	95,842
Europe	79,661	57,906
Rest of world	10,738	10,309
	261,002	**164,057**

16. Other operating income

Other operating income breaks down as follows:

EUR k	**31 Dec 2019**	**31 Dec 2018**
Bargain purchase from business acquisitions	1,344	20,275
Exchange rate gains	1,469	406
Reversal of other provisions	1,127	200
Income from the disposal of fixed assets	176	48
Reversals of loss allowances for trade receivables	98	235
Other operating income	1,952	212
	6,167	**21,375**

Other operating income contains the following income from the measurement of financial instruments:

EUR k	**31 Dec 2019**	**31 Dec 2018**
Gain or loss from financial assets measured at amortized cost	1,523	641
Gain or loss from financial liabilities measured at amortized cost	41	0
Gain or loss from financial instruments measured at FVTPL	3	0
	1,567	**641**

17. Cost of materials

Cost of materials breaks down as follows:

EUR k	**31 Dec 2019**	**31 Dec 2018**
Cost of raw materials, consumables and supplies and of purchased merchandise	179,202	109,287
Cost of purchased services	5,570	1,599
	184,772	**110,886**

18. Personnel expenses and number of employees

Personnel expenses developed as follows:

EUR k	31 Dec 2019	31 Dec 2018
Wages and salaries	44,816	27,169
Other social security contributions and welfare	9,606	5,645
	54,422	**32,815**

The average number or employees in the financial year came to 1,645 (prior year: 1,210) and breaks down as follows:

	31 Dec 2019	31 Dec 2018
Salaried employees	415	265
Wage earners	1,230	945
	1,645	**1,210**

19. Depreciation and amortization

Of the total of depreciation, amortization and impairments, an amount of EUR 7,620k (prior year: EUR 3,104k) is allocable to property, plant and equipment and EUR 3,381k (prior year: EUR 2,439k) to intangible assets.

20. Other operating expenses

Other operating expenses break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Operating expenses	8,803	6,453
General administrative expenses	5,276	2,680
Exchange rate losses	1,751	1,368
Selling expenses	1,644	1,524
Rents, leases	562	1,878
Expenses related to current assets	491	731
Income from the disposal of non-current assets	221	25
Other operating expenses	908	168
	19,656	**14,827**

Rent and lease expenses of EUR 562k include expenses for short-term leases of EUR 509k, expenses for leases of low-value assets of EUR 51k and other license expenses of EUR 2k that do not fall within the scope of IFRS 16.

Total research and development expenses amounted to EUR 3.68 million in the financial year (prior year: EUR 3.74 million).

Other operating expenses contain the following expenses from the measurement of financial instruments:

EUR k	31 Dec 2019	31 Dec 2018
Gain or loss on financial assets measured at amortized cost	2,046	1,492
Gain or loss on financial liabilities measured at amortized cost	70	0
Gain or loss on financial instruments measured at FVTPL	126	0
	2,242	**1,492**

21. Financial result

The financial result breaks down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Financial income	59	52
Finance costs	-2,857	-863
	-2,798	**-812**

Finance revenue breaks down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Other interest and similar income	59	52
	59	**52**

Finance costs break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Interest and similar expenses	2,857	863
	2,857	**863**

Interest and similar expenses include the interest charge from unwinding discounted provisions of EUR 3k (in the prior year interest and similar income: EUR 30k).

Interest expenses related to leases in accordance with IFRS 16 amounted to EUR 176k in the reporting year. In the prior year, interest on leases accounted for in accordance with IAS 17 amounted to EUR 15k.

Net financial income includes the following income (+) and expenses (-) from the measurement of financial instruments:

EUR k	31 Dec 2019	31 Dec 2018
Gain or loss on financial assets measured at amortized cost	-122	52
Gain or loss on financial liabilities measured at amortized cost	-2,508	-880
	-2,631	**-829**

22. Income taxes

Income taxes (expenses-/income +) break down as follows:

EUR k	31 Dec 2019	31 Dec 2018
Income taxes	618	731
Deferred taxes	-3,212	-1,475
Income tax expense (+)/income (-)	**-2,594**	**-743**

Domestic income tax comprises corporate income tax at 15% plus the solidarity surcharge of 5.5% on corporate income tax as well as trade tax levied in accordance with the multiplier of each municipality (average: 3.5) and the comparable taxes in foreign tax jurisdictions.

The differences to the expected tax expense determined by applying the average nominal tax rate of KATEK SE to group profit for the year and the actual tax expense payable by KATEK SE can be reconciled as follows.

The tax expense for the financial year can be reconciled to profit or loss for the period as follows.

EUR k	31 Dec 2019	31 Dec 2018
Earnings before tax	-4,591	20,687
Income tax expense at a tax rate of 32.98%	-1,514	6,822
Effect of different tax rates at subsidiaries in other jurisdictions	-481	-1,502
Effect of changes in tax rate	0	0
Taxes for prior years	-101	-390
Impact of tax-free income / non-deductible expenses	568	166
Effect of non-deductible income taxes	42	24
Effect of permanent differences	250	101
Loss allowances recognized on deferred taxes	-982	-371
Effect of tax-free bargain purchases	-357	-5,578
Other effects	-19	-14
Income tax expenses (- = income) recorded in the statement of profit or loss	**-2,594**	**-743**

The tax rate used in the above tax reconciliation for the years 2019 and 2018 corresponds to the corporate income tax rate paid by the Company on taxable income in Germany in accordance with German tax legislation.

The actual tax rates are as follows:

EUR k	31 Dec 2019	31 Dec 2018
Income taxes	618	731
Deferred taxes	-3,212	-1,475
Income taxes	**-2,594**	**-743**
Earnings before taxes	-4,784	20,612
Actual tax rate	54.21%	-3.61%

No deferred tax assets were recognized on unused tax losses for corporate income tax purposes and comparable foreign taxes of EUR 11,489k (prior year: EUR 5,553k) or on unused tax losses for trade tax purposes of EUR 10,784k (prior year: EUR 5,090k).

The differences on which deferred tax assets were recognized can be attributed to the following underlying items:

EUR k	31 Dec 2019	31 Dec 2018
Goodwill	0	0
Other intangible assets	16	0
Property, plant and equipment	49	99
Investments and other financial assets	80	81
Inventories	137	33
Trade receivables	6	1
Other assets	1,206	132
Pension provisions	224	82
Other provisions	212	485
Personnel liabilities	146	4
Liabilities	468	20
Loss carry-forwards	4,367	1,480
Other	78	118
Allowances	-3,277	-1,811
Deferred tax assets	**3,711**	**725**
Offsetting	-1,815	-237
Deferred tax assets	**1,896**	**488**

The differences on which deferred tax liabilities were recognized can be attributed to the following underlying items:

EUR k	31 Dec 2019	31 Dec 2018
Other intangible assets	-2,584	-1,431
Property, plant and equipment	-989	-523
Investments and other financial assets	0	0
Inventories	0	-247
Receivables	-6	-4
Other assets	-35	-119
Pension provisions	-90	-114
Other provisions	0	0
Liabilities	-16	-1
Other	-94	0
Deferred tax liabilities	**-3,813**	**-2,438**
Offsetting	1,815	237
Deferred tax liabilities	**-1,997**	**-2,201**

Notes to the statement of cash flows

The consolidated statement of cash flows shows how the cash and cash equivalents of the KATEK Group have changed during the reporting year as a result of cash inflows and outflows. The cash flows are categorized by operating activities, investing activities and financing activities in accordance with IAS 7.

The changes in the line items of the statement of financial position that are presented in the consolidated statement of cash flows cannot be directly reconciled with the consolidated statement of financial position as non-cash items must be eliminated first.

The cash flow from operating activities is therefore derived indirectly from earnings after tax after eliminating interest and taxes on income, depreciation, amortization and impairments and other non-cash items. Moreover, cash flows from interest received and taxes paid are also considered. Finally, the cash inflow from operating activities also takes account of changes in working capital and the utilization of provisions.

The cash flow from investing activities considers cash flows from the acquisition or sale of intangible assets, property, plant and equipment and financial assets. If the cash flow relates to the acquisition or sale of subsidiaries or other business units (and associated acquisition or loss of control) the impacts are presented in a separate line item of the cash flow statement. Cash paid for additions to the consolidated group contain an amount of EUR 23,938k arising from the assumption of shareholder loans extended by the seller.

The cash flow from financing activities is dominated by the changes in loans. The cash flow from financing activities also includes payments of lease liabilities of EUR 2,776k (prior year: EUR 340k).

Cash and cash equivalents of EUR 8,449k (prior year: EUR 5,399k) comprise cash of EUR 10,429k (prior year: EUR 5,399k) and current liabilities to banks due within three months of EUR 1,980k (prior year: EUR 0).

C. Other Notes

1. Relationships with related parties

Related parties include shareholders that can exercise significant influence over the KATEK Group, associated companies, joint ventures, non-consolidated subsidiaries and individuals who can exercise significant influence over KATEK and the financial and business policies of the Group. Individuals who can exercise significant influence over the financial and business policies of the Group include all individuals in key management positions and their close family relatives. Within the Group, this concerns the members of the executive management of the parent company.

Notes on affiliated companies

Within the course of normal business activity the KATEK Group and its subsidiaries maintain business relationships with numerous other businesses.

In the reporting year transactions with related parties resulted in liabilities of EUR 63,684k (prior year: EUR 28,065k), receivables of EUR 0k (prior year: EUR 7k), expenses of EUR 2,297k (prior year: EUR 589k) and income of EUR 917k (prior year: EUR 729k). All business transaction were concluded at arm’s length conditions and do not deviate in substance from transactions with other entities.

Disclosures on key management personnel

Compensation paid to the Management Board amounted to EUR 388k in 2019. No compensation was paid in the prior year. The amount consists of benefits that fall due in the short term.

2. Company boards

The members of the Management Board during 2019 were:

Rainer Koppitz CEO, Munich	Chairman of the Management Board since 19 March 2019
Dr. Johannes Fues CFO, Munich	Member of the Management Board

The activities of the Supervisory Board in financial year 2019 were exercised by the following individuals:

Klaus Weinmann Managing Director of PRIMEPULSE SE, Munich	Chairman
Stefan Kober businessman, Jettingen-Scheppach	Deputy Chairman
Dr. Benjamin Klein CFO of PRIMEPULSE SE, Munich	

The Supervisory Board received no remuneration for its work in the financial year.

3. Shareholdings of board members

The shareholdings of board members on the reporting date were as follows:

	Direct	Indirect	Total
Rainer Koppitz	5.00%	0.00%	5.00%
Dr. Johannes Fues	0.50%	0.04%	0.54%
	5.50%	**0.04%**	**5.54%**

Shareholdings of members of the Supervisory Board:

On the reporting date, Mr. Klaus Weinmann held 23.99%, Mr. Stefan Kober 24.76% and Dr. Benjamin Klein 0.54% of KATEK SE.

4. Parent company/group affiliations

KATEK SE, Munich, is a subsidiary of PRIMEPULSE SE, Munich, and is included in its consolidated financial statements. The consolidated financial statements of PRIMEPULSE SE are published in the German Federal Gazette (Bundesanzeiger).

5. Contingent liabilities and other financial obligations

Guarantees issued for loans drawn by third parties amounted to EUR 652k on the reporting date (prior year: EUR 60k).

Contingent liabilities and other financial obligations for the reporting year and the prior year are as follows:

EUR k	31 Dec 2019	31 Dec 2018
Rent and lease obligations	12,180	9,343
Purchase commitments for investment projects	581	327
of which property, plant and equipment	581	0
of which intangible assets	0	327
Other financial obligations	357	232
	13,118	**9,901**

The due dates of short-term leases and leases of low-value assets that are not recognized in the statement of financial position in keeping with the simplified approach of IFRS 16 as well as leases whose commencement date lies in the future are as follows (the prior-year figures include all leases that were treated as operating leases under the previous treatment required by IAS 17):

EUR k	31 Dec 2019	31 Dec 2018
Due within 1 year	796	1,168
Due in 1 to 5 years	3,213	3,518
Due in more than five years	8,171	4,657
	12,180	**9,343**

6. Auditor's fees

The following fees paid to the external auditor Ebner Stolz GmbH & Co. KG, Stuttgart, and its related parties were recorded as expenses in financial year 2019:

EUR k	31 Dec 2019	31 Dec 2018
Audit services	200	74
Other attestation services	0	0
Tax advisory services	30	17
Other services	1	0
	231	**91**

7. List of shareholdings

No.	Name and registered offices of the company	Indirect share in capital %	Included in consolidation	Held by no.
1.	KATEK SE, Munich			.
2.	KATEK Memmingen GmbH, Memmingen	100.0	c	1.
3.	Steca Elektronik Bulgaria EOOD, Saedinenie, Bulgaria	100.0	c	2.
4.	Katek GmbH, Grassau	100.0	c	1.
5.	Katek Hungary kft., Györ, Hungary	100.0	c	4.
6.	Katek Austria GmbH, Vienna, Austria	100.0	c	4.
7.	KATEK Mauerstetten GmbH, Mauerstetten	100.0	c	1.
8.	bebro electronic GmbH, Frickenhausen	100.0	c	1.
9.	bebro electronic s.r.o., Horní Suchá, Czech Republic	100.0	c	8.
10.	beflex electronic GmbH, Frickenhausen	100.0	c	8.
11.	eSystems MTG GmbH, Wendlingen am Neckar	100.0	c	1.

C = consolidated

Shareholding	Currency	Share in capital	Equity 31 Dec 2019	Net profit/loss for the year
Zamm Zentrum für angewandte Meßtechnik Memmingen GmbH, Memmingen	EUR k	16.2%	602 [1)]	27 [1)]
Franken Solar Romania S.R.L., Medias, Romania	EUR k	12.5%	n/a	n/a

Key
1) Financial statements as at 31 December 2018

8. Subsequent events

Acquisitions
Effective 15 March 2020, KATEK Düsseldorf GmbH, Düsseldorf, acquired a 100% stake in the SMT production operation of Huf Electronics Düsseldorf GmbH, Düsseldorf, a wholly-owned subsidiary of KATEK Memmingen GmbH, Memmingen (formerly Steca Elektronik GmbH, Memmingen). The new group entity, KATEK Düsseldorf GmbH, Düsseldorf, complements the KATEK SE Group, Munich. The purchase price paid for the net assets amounted to EUR 1,323k and was settled in cash in financial year 2020.

Other events
The OECD currently views the spread of the coronavirus (SARS-CoV-2) as the greatest risk to the global economy since the global financial crisis. The spread of Covid-19, which the WHO classified as a pandemic on 11 March 2020, will lead to economic disruptions. Significant restrictions on the movement of persons, goods and services are to be expected which are likely to lead to a significant deterioration in the business climate and consumption and a resulting slow-down in production. In its outlook issued at the beginning of March 2020, the OECD projected – as its most favourable scenario (weak spread of the virus beyond China) – that global economic production will fall rapidly in the first half of 2020 due to interruptions to supply chains, a fall in tourism and a deterioration of the business climate (with growth in the global economy falling from an already weak level of 2.9% in 2019 to 2.4% in 2020). In the event of a wider spread of Covid-19 to the Asian Pacific regions and industrial nations, which has since come to pass, the OECD assumed that global economic growth would slow to 1.5%. Based on the assessments of the OECD, the measures taken to contain the virus and the loss in confidence would affect production and consumption so strongly that a number of economies could slip into recession, such as Japan and the euro zone.

Before the backdrop of the accelerating spread of the coronavirus (SARS-CoV-2) in March 2020 ("corona crisis") and the ensuing macroeconomic impacts, it is extremely difficult to make a reliable forecast of business developments in financial year 2020. However, with a view to the latest economic forecasts, a substantial impact on the business activities of the KATEK Group can no longer be ruled out. Consequently, negative impacts on the revenue and earnings of the KATEK Group are anticipated, which cannot be quantified at the present time.

There were no other events of material significance after the end of the financial year that would require reporting at this point.

9. Ratification of the consolidated financial statements

The consolidated financial statements were ratified by the Supervisory Board on 22 April 2020.

Munich, 22 April 2020

KATEK SE
Management Board

Rainer Koppitz

Dr. Johannes Fues

Independent Auditor's Report

The following Auditor's Report *(Bestätigungsvermerk)* and the corresponding consolidated financial statements are both translations of the respective German language documents.

Auditor's Report
To KATEK SE, Munich

Audit Opinion

We have audited the consolidated financial statements of **KATEK SE, Munich**, and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the requirements of IFRS as endorsed by the EU and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019.

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

Basis for the Audit Opinion

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

Responsibility of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system of the Group.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as endorsed by the EU.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 23 April 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	Josip Grgic
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

18.3 Audited Annual Financial Statements of KATEK SE prepared in accordance with German GAAP as of and for the financial year ended 31 December 2018, and independent auditor's report thereon:

Balance Sheet

Assets	31 Dec 2018	31 Dec 2017
	EUR	EUR
A. Financial assets		
I. Shares in affiliated companies	22,620,485.75	0.00
II. Loans to affiliated companies	10,151,111.09	0.00
	32,771,596.84	0.00
B. Current assets		
Cash and cash equivalents	120,000.00	30,000.00
	32,891,596.84	30,000.00

Equity and Liabilities	31 Dec 2018	31 Dec 2017
	EUR	EUR
A. Equity		
I. Subscribed capital	120,000.00	120,000.00
less uncalled capital contributions	0.00	-90,000.00
II. Capital reserve	4,880,000.00	0.00
III. Accumulated losses	-2,028.55	0.00
	4,997,971.45	30,000.00
B. Provisions		
Other provisions	1,250.00	0.00
C. Liabilities		
Liabilities to affiliated companies	27,892,375.39	0.00
	32,891,596.84	30,000.00

Statement of Profit or Loss

	2 0 1 8	Abbreviated financial year from 23 Feb to 31 Dec 2017
	EUR	EUR
1. Other operating expenses	-2,028.55	0.00
2. Earnings after tax	-2,028.55	0.00
3. Net loss for the year	-2,028.55	0.00
4. Profit / accumulated loss brought forward	0.00	0.00
5. Accumulated losses	-2,028.55	0.00

Notes to the Financial Statements

A. Accounting Policies

The accounting policies used in the financial statements of KATEK SE, Munich, (local court of Munich, HRB 12045) are voluntarily based on the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] applying to small corporations. The Company was founded on 23 February 2017 under the name "Spreeadler dual Vorrat H 1 SE" and was entered in the commercial register of the local court of Berlin-Charlottenburg under the number HRB 184901 B on 10 March 2017. The annual shareholder meeting of the Company on 23 November 2018 passed a resolution to amend the articles of association and relocate the registered offices from Berlin to Munich. The Company was entered into the commercial register of the local court of Munich under the number HRB 245284 on 10 December 2018.

The presentation, classification, recognition and measurement policies remain unchanged on the prior year.

With regard to the disclosures in the notes to the financial statements, the Company makes use of the size-related reporting relief for small stock corporations pursuant to Sec. 288 (1) HGB.

The statement of profit or loss has been prepared using the nature of expense method.

Financial assets are recognized at the lower of cost or net realizable value.

Provisions take into account all foreseeable risks and contingent liabilities and are valued at the settlement amount on the basis of prudent business judgment. Future price and cost increases are considered provided there are sufficient objective indicators for their inclusion. Provisions with a residual term of more than one year are discounted using the average market interest rate over the last seven years as determined by the Deutsche Bundesbank on balance sheet date.

Liabilities are recorded at the settlement amount.

B. Notes to the Balance Sheet

1. Cash and cash equivalents

Cash and cash equivalents comprise bank deposits.

2. Equity

The share capital of KATEK SE is divided into 120,000 no-par value registered shares.

The capital reserve of the Company increased by EUR 4,880,000.00 in 2018 due to the contribution of assets by the sole shareholder.

3. Liabilities

Liabilities to affiliated companies have the following time to maturity:

	2018	2017
	EUR	EUR
Due within 1 year	778.55	0.00
Due in 1 to 5 years	27,891,596.84	0.00
Due in more than 5 years	0.00	0.00
	27,892,375.39	0.00

This item includes **liabilities to shareholders** of EUR 27,891,569.84.

C. Other Notes

1. Human capital

There were no employees in the financial year.

2. Parent company/group affiliations

The Company is included in the consolidated financial statements of PRIMEPULSE SE based in Munich. PRIMEPULSE SE prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

Munich, 11 December 2020

KATEK SE
Management Board

Rainer Koppitz　　　　Dr. Johannes Fues

Statements of Changes in Equity

	Equity of the company										
	Share capital							Reserves		Net loss for the year	Total
	Subscribed capital			Uncalled capital			Total	Capital reserve			
	Common shares	Preference shares	Total	Common shares	Preference shares	Total		Pursuant to Sec. 272 (2) no. 4 HGB	Total		
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
23 February 2017	30	0	30	90	0	90	120	0	0	0	120
31 December 2017	30	0	30	90	0	90	120	0	0	0	120
Capital increase in return for contribution in kind	0	0	0	0	0	0	0	4.880	4.880	0	4.880
Cash received from									0		0
uncalled capital	90	0	90	-90	0	-90	0	0	0	0	0
Net loss for the year	0	0	0	0	0	0	0	0	0	-2	-2
31 December 2018	120	0	120	0	0	0	120	4.880	4.880	-2	4.998

Cash Flow Statement

	2 0 1 8	Abbreviated financial year from 23 Feb to 31 Dec 2017
	EUR k	EUR k
Net loss for the year	-2	0
+ Other non-cash expenses	2	0
Cash flow from operating activities	0	0
Cash flow from investing activities	0	0
+ Cash received from capital contributions by the shareholders	90	0
Cash flow from financing activities	90	0
Changes in cash and cash equivalents	90	0
+ Cash and cash equivalents at the beginning of the period	30	30
Cash and cash equivalents at the end of the period	120	30
Cash and cash equivalents		
Short-term liabilities to banks	0	0
Cash and cash equivalents	120	30
	120	30

Independent Auditor's Report

The following Auditor’s Report *(Bestätigungsvermerk)* and the corresponding financial statements are both translations of the respective German language documents.

Auditor’s Report

To KATEK SE, Munich (formerly: Spreeadler dual Vorrat H 1 SE, Berlin)

Audit Opinion

We have audited the financial statements of **KATEK SE, Munich (formerly: Spreeadler dual Vorrat H 1 SE, Berlin),** which comprise the balance sheet as at 31 December 2018, the statement of profit or loss, the cash flow statement and the statement of changes in equity for the financial year from 1 January to 31 December 2018 as well as the notes to the financial statements, including the presentation of the recognition and measurement policies.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and
- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018.

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

Basis for the Audit Opinion

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

Responsibility of the Executive Directors and the Supervisory Board for the Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the financial statements.

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 11 December 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf Wirtschaftsprüferin [German Public Auditor]	Josip Grgic Wirtschaftsprüfer [German Public Auditor]

18.4 Audited Annual Financial Statements of KATEK SE prepared in accordance with German GAAP as of and for the financial year ended 31 December 2020, and independent auditor's report thereon:

Balance Sheet

A s s e t s	31 Dec 2020	31 Dec 2019
	EUR	EUR
A. Fixed assets		
I. Property, plant and equipment		
Other equipment, furniture and fixtures	34,505.83	0.00
II. Financial assets		
1. Shares in affiliated companies	86,551,649.29	68,704,464.86
2. Loans to affiliated companies	22,206,801.12	29,737,927.74
	108,758,450.41	98,442,392.60
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	2,662,194.66	5,733,487.37
2. Other assets	11,635.62	90,186.81
	2,673,830.28	5,823,674.18
II. Cash and cash equivalents	6,731,979.98	666,804.74
C. Prepaid expenses	26,402.84	0.00
	118,225,169.34	104,932,871.52

Equity and liabilities		31 Dec 2020	31 Dec 2019
		EUR	EUR
A.	**Equity**		
I.	Subscribed capital	146,400.00	120,000.00
II.	Capital reserve	48,853,600.00	4,880,000.00
III.	Accumulated losses	-8,215,957.42	-2,660,295.00
		40,784,042.58	2,339,705.00
B.	**Provisions**		
	Other provisions	2,754,585.00	39,100.00
C.	**Liabilities**		
1.	Liabilities to banks	55,676,250.00	30,000,000.00
2.	Trade payables	36,222.55	15,600.62
3.	Liabilities to affiliated companies	15,826,504.02	63,715,647.62
4.	Other liabilities	3,147,565.19	8,822,818.28
		74,686,541.76	102,554,066.52
		118,225,169.34	104,932,871.52

Statement of Profit or Loss

		2020	2019
		EUR	EUR
1.	**Revenue**	976,692.00	356,777.99
2.	Other operating income	85,450.36	1,250.00
		1,062,142.36	358,027.99
3.	Personnel expenses		
	a) Wages and salaries	3,479,387.28	531,569.75
	b) Social security and other benefit costs	78,622.42	37,529.62
		3,558,009.70	569,099.37
4.	Amortization of intangible assets and depreciation of property, plant and equipment	6,222.36	846.22
5.	Other operating expenses	1,620,984.50	654,555.85
		-4,123,074.20	-866,473.45
6.	Income from profit and loss transfer agreements	89,530.01	0.00
7.	Income from long-term loans	442,781.09	207,181.42
8.	Other interest and similar income	87,295.90	62,754.88
9.	Interest and similar expenses	2,051,913.22	1,923,429.30
		-1,432,306.22	-1,653,493.00
10.	**Earnings after tax**	-5,555,380.42	-2,519,966.45
11.	Other taxes	282.00	138,300.00
12.	**Net loss for the year**	-5,555,662.42	-2,658,266.45
13.	Loss brought forward	-2,660,295.00	-2,028.55
14.	**Accumulated losses**	-8,215,957.42	-2,660,295.00

Notes to the Financial Statements

A. Accounting Policies

The accounting policies used in the financial statements of KATEK SE, Munich, (local court of Munich, HRB 245284) are based on the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] applying to small corporations.

The presentation, classification, recognition and measurement policies of the financial statements correspond to those applied in the prior year.

With regard to the disclosures in the notes to the financial statements, the Company makes use of the size-related reporting relief for small stock corporations pursuant to Sec. 288 (1) HGB.

The statement of profit or loss has been prepared using the nature of expense method.

Property, plant and equipment is capitalized at acquisition or production cost as required by the law and, if it has a limited life, is reduced by systematic depreciation. The useful lives range between one and six years.

Financial assets are recognized at the lower of cost or net realizable value.

Where the book value of a **fixed asset** calculated on the basis of the above accounting policies is above its net realizable value on balance sheet date, it is written down to net realizable value by recording an impairment loss. If the impairment loss no longer applies in subsequent financial periods, it is reversed by an appropriate amount to reflect the increase in fair value, provided that the revaluation does not exceed amortized cost.

Receivables and other assets are stated at their face value. All discernible specific risks are taken into account in the valuation.

Provisions take into account all foreseeable risks and contingent liabilities and are valued at the settlement amount on the basis of prudent business judgment. Future price and cost increases are considered provided there are sufficient objective indicators for their inclusion. Provisions with a residual term of more than one year are discounted using the average market interest rate over the last seven years as determined by the Deutsche Bundesbank on balance sheet date.

Liabilities are recorded at the settlement amount.

Receivables and liabilities denominated in **foreign currency** with a remaining term of up to one year are translated at the mean closing rate. To this extent, unrealized gains and losses on foreign currency translation are recognized in the financial statements. If the residual term is over one year, the currencies are translated at the historical exchange rate on the date the item originated. In the event of fluctuations in exchange rates between the date of origin and the closing date, assets and liabilities are translated using either the historical rate or the mean spot rate on the closing date taking account of the lower of cost or market principle for assets and the higher of cost or market for liabilities.

B. Notes to the Balance Sheet and Statement of Profit or Loss

I. Balance Sheet

1. Cash and cash equivalents

This item contains cash in hand and bank deposits.

2. Equity

The capital stock of KATEK SE amounts to EUR 146,400 (prior year: EUR 120,000) and is split into 146,400 registered no-par value shares. At the annual general meeting on 29 September 2020 a resolution was passed to increase the capital of the Company by EUR 26,400 in return for contribution in kind by issuing 26,400 new registered no-par value shares. The contribution in kind took the form of a contribution of the loan receivables from the Company totaling EUR 44.0 million.

The capital reserve increased by EUR 43,973,600.00 in 2020 on account of this contribution in kind.

3. Liabilities

Liabilities to banks break down as follows:

in EUR	31 Dec 2020	31 Dec 2019
Due within 1 year	34,476,250	21,200,000
Due in 1 to 5 years	17,600,000	6,400,000
Due in more than 5 years	3,600,000	2,400,000
	55,676,250	**30,000,000**

These liabilities are secured by liens to shares in affiliated companies amounting to EUR 25.6 million.

Liabilities to affiliated companies contain an amount of EUR 4,855,185.73 (prior year: EUR 27,891,596.84) that is due in more than one year.

Other liabilities break down as follows:

in EUR	31 Dec 2020	31 Dec 2019
Tax liabilities	25,765.17	20,717.75
Liabilities related to social security	1,800.02	874.21
Sundry other liabilities	3,120,000.00	8,801,229.32
	3,147,565.19	**8,822,821.28**

Sundry other liabilities contain an amount EUR 3,000,000.00 (prior year: EUR 8,801,229.32) that is due in more than one year.

II. Statement of Profit or Loss

1. Personnel expenses

Social security, pension and other benefit costs contain **pension costs** of EUR 78,622.42 (prior year: EUR 37,529.62).

2. Other operating expenses

Other operating expenses contain **expenses from currency translation** of EUR 498.97 (prior year: EUR 0.00). These consist solely of realized exchange losses.

3. Investment income

Income from profit transfer agreements includes EUR 89,530.01 (prior year: EUR 0.00) from **affiliated companies**.

4. Financial result

Of the income from long-term loans, an amount of EUR 442,781.09 (prior year: EUR 207,181.42) relates to interest income from affiliated companies.

Of other interest and similar income, an amount of EUR 87,295.90 relates to **affiliated companies** (prior year EUR 62,754.88).

Interest and similar expenses contains an amount of EUR 1,147,593.39 (prior year EUR 1,551,472.19) relating to **affiliated companies.**

5. Extraordinary expenses

Extraordinary expenses of EUR 2,400,000.00 were incurred in the financial year (prior year: EUR 0.00) that are presented under personnel expenses. These extraordinary expenses refer to phantom stocks.

C. Other Notes

1. Human capital

The average headcount during the financial year was five.

2. Contingent liabilities

A profit and loss transfer agreement is in place with one affiliate.

3. Parent company

KATEK SE, Munich, is a subsidiary of PRIMEPULSE SE, Munich, and is included in its consolidated financial statements. The consolidated financial statements of PRIMEPULSE SE are published in the German Federal Gazette (*Bundesanzeiger*).

4. Transactions with related parties

In accordance with Sec. 312 AktG ["Aktiengesetz": German Stock Corporation Act], KATEK SE has issued a report on relationships with affiliated companies which contains the following final declaration:

"As the Management Board of KATEK SE, we hereby declare that with regard to the legal transactions listed in the above report on relationships with affiliated companies, KATEK SE received appropriate consideration, based on the circumstances we were aware of at the time, for each legal transaction conducted. No other measures subject to mandatory reporting as defined by Sec. 312 (1) sentence 2 AktG were performed or refrained from in the financial year 2020."

Munich, 5 March 2021

KATEK SE
Management Board

Dr. Johannes Fues Rainer Koppitz

Independent Auditor's Report

The following Auditor's Report *(Bestätigungsvermerk)* and the corresponding financial statements are both translations of the respective German language documents.

Auditor's Report

To KATEK SE, Munich

Audit Opinion

We have audited the financial statements of **KATEK SE, Munich**, which comprise the balance sheet as at 31 December 2020 and the statement of profit or loss for the financial year from 1 January to 31 December 2020 as well as the notes to the financial statements, including a summary of significant accounting policies.

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

- the accompanying financial statements comply in all material respects with the requirements of German commercial law applying to stock corporations and
- give a true and fair view of the assets, liabilities and financial position of the Company in accordance with German legally required accounting principles ("Grundsätze ordnungsmäßiger Buchführung") as at 31 December 2020 and of the financial performance for the financial year from 1 January to 31 December 2020.

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

Basis for the Audit Opinion

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

Responsibilities of the Executive Directors and the Supervisory Board for the Financial Statements

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the financial statements.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control system relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our respective audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 5 March 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	Josip Grgic
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

19. GLOSSARY

Adjusted EBIT	EBIT adjusted for one-off costs and income, mainly related to IPO costs (2020 only), M&A and integration cost of acquired subsidiaries and restructuring related costs.
Adjusted EBITA	EBITA, adjusted for one-off costs and income, mainly related to IPO costs (2020 only), M&A and integration cost of acquired subsidiaries and restructuring related costs.
Adjusted EBITDA	EBITDA adjusted for one-off costs and income, mainly related to IPO costs (2020 only), M&A and integration cost of acquired subsidiaries and restructuring related costs.
Adjusted EBITDA Margin	The quotient of Adjusted EBITDA divided by total output, expressed as a percentage
APMs	Alternative performance measures as defined in the ESMA Guidelines on Alternative Performance Measures issued by ESMA on 5 October 2015.
Articles of Association	The Company's articles of association.
Audited Consolidated Financial Statements	The Company's audited consolidated financial statements prepared in accordance with IFRS as of and for each of the financial year ended 31 December 2020 and 31 December 2019 with comparable figures for the financial years ended 31 December 2019 and 31 December 2018, respectively.
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
Clearstream	Clearstream Banking Aktiengesellschaft, Eschborn, Germany.
Code	German Corporate Governance Code
Commercial Register	The commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Munich, Germany.
Company or Issuer	KATEK SE.
COVID-19	Infectious disease caused by the coronavirus.
EBIT	Earnings before interest and tax, as shown in the Audited Consolidated Financial Statements.
EBITA	EBIT adjusted for amortisation.
EBITDA	Earnings before interest, tax, depreciation and amortisation as shown in the Audited Consolidated Financial Statements.
Ebner Stolz	Ebner Stolz GmbH & Co. KG, the Company's statutory auditor
EBT	Earnings before taxes, as shown in the Audited Consolidated Financial Statements.

EEA	European Economic Area.
EMS	Electronics engineering and manufacturing services
ESMA	European Securities and Markets Authority.
EU	European Union.
Euribor	Euro Interbank Offered Rate
Eonia	Euro Overnight Index Average
et seq.	Abbreviation for the Latin phrase *et sequentes*, meaning "and the following".
Executives	The persons discharging managerial responsibilities pursuant to Article 19 of MAR.
Financial Statements	Collectively, the Audited Consolidated Financial Statements and the Audited Annual Financial Statements.
GefStoffV	German abbreviation for Gefahrstoffverordnung (Regulation on Hazardous Substances)
Germany	Federal Republic of Germany.
German GAAP	German Commercial Code (*Handelsgesetzbuch*) and German generally accepted accounting principles.
Group	KATEK SE together with its subsidiaries.
HGB	German Commercial Code (Handelsgesetzbuch).
HVE	high-value electronics
KATEK	The Company and its subsidiaries.
kW	kilowatt
IAS	International Accounting Standards; IAS are accounting standards promulgated by the IASB.
IASB	International Accounting Standard Board.
IFRS	International Financial Reporting Standards as adopted by the European Union.
ISIN	International Securities Identification Number.
LEI	Legal Entity Identifier
Management Board	The Company's management board (*Vorstand*).
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (Market Abuse Regulation).

MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as amended.
New Shares	3,433,080 ordinary bearer shares of the Company (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*) and with full dividend rights as of 1 January 2021 from the capital increase approved by resolution of the extraordinary shareholders' meeting of the Company held on 20 April 2021.
OEM	Original equipment manufacturers
Offer Price	The offer price for the Offered Shares.
Offering	The Offering consists, collectively, of an initial public offering of the Offered Shares in Germany, and private placements in certain jurisdictions outside Germany except for the US, Canada, Japan and Australia, which are not subject of this Prospectus.
Offered Shares	The New Shares and the Over-Allotment Shares, collectively.
Over-Allotment Shares	514,962 ordinary bearer shares (*auf den Inhaber lautende Aktien*) with no-par value (*Stückaktien*) and with full dividend rights as of 1 January 2021, from the shareholdings of PRIMEPULSE SE and grosso tec AG to serve the Over-Allotment Option granted to the Joint Bookrunners.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
SE Regulation	Council Regulation (EC) No. 2157/2001
Securities Act	United States Securities Act of 1933.
Joint Bookrunners	Hauck & Aufhäuser Privatbankiers Aktiengesellschaft and M.M.Warburg & CO (AG & Co.) KGaA
Sole Global Coordinator	Hauck & Aufhäuser Privatbankiers Aktiengesellschaft
Supervisory Board	The Company's supervisory board (*Aufsichtsrat*).
SMT	Surface-mount technology
SDGs	sustainable development goals
Target Market Assessment	The Offered Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II.
Underwriting Agreement	The agreement entered into on 20 April 2021, by and between the Joint Bookrunners and the Company relating to the offer and sale of the Offered Shares in connection with the Offering.
United Kingdom	The United Kingdom of Great Britain and Northern Ireland.

United States / US / USA	The United States of America.
VAT	Value-Added Tax (*Mehrwertsteuer*).
WpHG	German Securities Trading Act (*Wertpapierhandelsgesetz*).
WpÜG	German Securities Acquisition and Takeover Act.

20. RECENT DEVELOPMENTS AND OUTLOOK

20.1 Recent Developments

Financial developments

The overall development in the first three months of 2021 reflects consistent revenue and Adjusted EBIT, Adjusted EBITDA and Adjusted EBITA growth, in line with management's expectations.

In accordance with this growth, there were also the following significant changes in the Company's liabilities as of 28 February 2021 in comparison to the Audited Consolidated Financial Statements for the year ended 31 December 2020:

- increase of trade payables by EUR 14,387 thousand, mainly relating to the acquisition of assets (including obligations) from Leesys (EUR 10,893 thousand) and effects in connection with the operational business;
- increase of current other liabilities and deferred income by EUR 1,693 thousand, mainly as a result of increased liabilities for bonuses and management incentives (EUR 1,066 thousand) and higher liabilities for vacation and flexitime credits; and
- decrease of cash and cash equivalents by EUR 3,678 thousand, mainly relating to the payment of the purchase price of EUR 5,600 thousand in connection with the acquisition of assets (including obligations) from Leesys.

Due to growing market demands, the Company expects consistently to grow in line with its business plan.

Corporate developments

Effective 28 January 2021, KATEK Singapore Pte. Ltd. was founded as a subsidiary of the Company's subsidiary, beflex electronic GmbH.

Effective 1 February 2021, the Company acquired assets related to the Leesys electronics site in Leipzig, Germany as described in Section "11.12.1 *Transaction Contracts*."

Effective 11 February 2021, BEFLEX ELECTRONIC MALAYSIA SDN. BHD, headquartered in Kuala Lumpur, Malaysia, was founded as a subsidiary of the Company's subsidiary, beflex electronic GmbH.

On 15 April 2021, the Company, entered into an investment agreement regarding AISLER B.V. In the course of the completion of the investment agreement, the Company, as buyer, will enter into a share purchase agreement with Lunaix GmbH, as seller, regarding the purchase of 1,000 AISLER shares, and additionally, the Company will subscribe for 1,061 newly issued AISLER shares, as described in Section "11.12.1 *Transaction Contracts*."

On 19 March 2021, the Company amended its Articles of Association. Among other things, the Company (i) amended the scope of the principal activities of the Company; (ii) increased its share capital; (iii) authorised the issuance of the Authorised Capital 2021 with the exclusion of subscription rights; (iv) authorised the issuance of convertible bonds and/or warrant bonds, as well as the Conditional Capital 2021; (v) changed the registered shares into ordinary bearer shares; and (vi) adjusted the existing Conditional Capital 2019/I.

For a more detailed discussion of the amendments of the Articles of Association please see *"14.3. Corporate purpose"*; "*14.7.3 Development of the Share Capital"*; "*14.7.4 Authorised Capital"*; "*14.7.5 Conditional Capital"* and "14.7.6 *Authorisation to Issue Convertible Bonds and/or Warrant Bonds"*.

The amendments to the Articles of Association were registered with the Commercial Register on 7 April 2021.

On 20 April 2021, the Capital Increase was approved by resolution of the extraordinary shareholders' meeting of the Company.

Except as described above, between 31 December 2020 and the date of this Prospectus, there has been no significant change to the Company's or KATEK's financial performance.

20.2 Outlook

KATEK's future performance of will be driven by the success of the Company’s growth strategy. KATEK believes this goal of further gaining size to be important, as it will allow KATEK to continue serving its customers in the best possible way. In KATEK´s opinion, the benefits of size are threefold: market visibility through active market consolidation, reduction in cost per unit through increased purchasing power and efficiency, and enhanced service through geographic spread.

KATEK believes it is generally well positioned to continue its growth path due to market trends in sectors such as the increase in e-mobility, the demand in solar energy and the overall growth of the market of electronic manufacturing and services. This conviction is reflected in the management's targets for KATEK's operating business, which are to reach more than EUR 500 million in revenue organically (near-term) and additional EUR 100 million in revenue based on inorganic growth (near-to-mid-term). In addition, the Group has set a mid-term target to realise a consolidated Adjusted EBITDA Margin in excess of 10% (mid-term). The foregoing targets are goals, and not forecasts or projections.

The time needed to achieve these targets may depend upon the overall global economic recovery in the aftermath of the Corona pandemic. In general, it should be taken into account that in the context of the Corona pandemic, any forward-looking statement is subject to a higher degree of uncertainty than it would otherwise be the case. Regardless of the general availability of a vaccine, it is uncertain to what extent future events could possibly lead to a negative economic developments. At present, the potential impact on the Company cannot be assessed conclusively.

The financial crisis related to the Corona pandemic has indirectly altered global supply chains as well as customer demand since its beginning in 2020. In 2021, with economies regaining momentum and supply chains still affected, reports of shortages in various categories of materials became apparent. One example is semiconductors. Lead times for some semiconductors have doubled compared to the previous year. While the Company's management cannot rule out implications for KATEK in upcoming quarters, the development of the Group's business in the first quarter of 2021 was in line with management's expectations. There is no impact on the Company's mid-term objectives.