MBB

ANNUAL REPORT 2017

MBB SE, Berlin

MBB in figures

Fiscal year	2017 adjusted IFRS	2017 unadjusted IFRS	2016 IFRS	Δ 2017 adjusted / 2016
Earnings figures	**€k**	**€k**	**€k**	**%**
Revenue	**403,077**	**403,077**	**332,165**	21.3
Operating performance	404,203	404,203	333,532	21.2
Total performance	415,683	415,683	338,125	22.9
Cost of materials	-262,415	-270,451	-214,967	22.1
Staff costs	-89,453	-90,141	-73,657	21.4
EBITDA	38,862	30,138	30,355	28.0
EBITDA margin	*9.6%*	*7.5%*	*9.1%*	
EBIT	28,957	19,710	22,342	29.6
EBIT margin	*7.2%*	*4.9%*	*6.7%*	
EBT	27,110	17,863	20,960	29.3
EBT margin	*6.7%*	*4.4%*	*6.3%*	
Consolidated net profit after non-controlling interests	**13,560**	**4,656**	**14,253**	-4.9
Number of shares	6,600	6,600	6,600	0.0
eps in €*	2.06	0.71	2.16	-4.6
Dividend paid in €k	8,036	8,036	3,886	106.8
Dividend per share in €	1.22	1.22	0.59	106.8
Figures from the statement	**31 Dec €k**	**31 Dec €k**	**31 Dec €k**	**%**
Non-current assets	190,229	190,229	112,267	69.4
Current assets	421,000	421,000	154,206	173.0
there of cash and equivalents**	279,213	279,213	77,450	260.5
Issued capital (share capital)	6,587	6,587	6,587	0.0
Other equity	378,470	378,470	91,812	312.2
Total equity	385,057	385,057	98,399	291.3
Equity ratio	*63.0%*	*63.0%*	*36.9%*	0.0
Non-current liabilities	86,589	86,589	69,889	23.9
Current liabilities	139,583	139,583	98,185	42.2
Total assets	611,229	611,229	266,473	129.4
Net debt (-) or net cash (+)**	222,026	222,026	22,158	902.0
Employees	**2,006**	**2,006**	**1,477**	**35.8**

* Based on the average number of shares outstanding for the respective year.
** This figures include physical gold stocks.

Contents

Welcome Note from the Executive Management

Dear shareholders,

The year 2017 will go down in MBB history! Headcount, consolidated revenue, adjusted EBITDA, (net) cash, equity and the dividend have risen to historic heights.

Aumann AG has contributed to this development substantially. Aumann AG went public on 24 March 2017 and is now the third listed company of the MBB Group after Delignit AG and MBB SE itself. Aumann is a highly attractive technology company in one of the most exciting future markets which led to a very successful IPO with an issue price at the upper end of the price range, multiple oversubscription and a significant share price increase over the year. As a result of the IPO, Aumann AG received considerable financial resources for further organic growth and growth through acquisitions. In October 2017, Aumann already reinvested some of the proceeds in the acquisition of USK. We welcome USK, a highly successful medium-sized automation specialist, as a new member of the MBB family. Aumann's capital increase in December 2017 again created ideal conditions for further organic and anorganic growth. Aumann took another quantum leap in March 2018: It became the first MBB company to be included in a Deutsche Börse selection index and is now listed in the TecDAX, the selection index for Germany's 30 biggest listed technology companies below the DAX. This was made possible because MBB has reduced its shareholding to 38%, thus increasing the relevant free float. With our current shareholding, we are Aumann's long-term anchor investor, and we look forward to the joint development of this first-class company to which we owe so much.

The excellent operating performance of all our subsidiaries contributed to our latest record year as well. Delignit invested into necessary structures and capacity after winning two major series construction contracts for the automotive industry in 2016 that will form the foundation for the company's growth over the next decade. Very recently, the company moreover announced a further acceleration in its growth momentum: it is entering the caravan market with a long-term contract over 9 years for the equipment of a leading caravan model. Likewise, these accomplishments are reflected in a brilliant share price development.

DTS has continued to hone its profile as an IT security specialist, as has been confirmed by a number of awards, including EMEA Partner of the Year from Palo Alto and DACH Partner of the Year from Proofpoint. As a result, the company has succeeded in increasing its revenue once again while greatly raising its profitability. Hanke opened new logistics space in 2017 to ensure that the increased production volume gets to our customers on time. Furthermore, the conversion capacity behind the two paper machines has been expanded, with the result that high-quality end products such as printed napkins or facial tissues can be manufactured from roughly half the tissue paper produced, and revenue has been increased by more than 20%.

CT Formpolster is now producing mattresses at a highly automated, completely new site measuring 12,000 m², which has increased its capacity to considerably more than 1,000 mattresses per day. OBO, our smallest subsidiary, broke through the threshold of €20 million in revenue for the first time and looks forward to new plant technology to further enhance the company's future competitiveness.

Can we maintain such a high level of success in 2018 following on from 2017? We think we can! Thanks to the acquisition of USK in October 2017, investments above depreciation at our companies and the undiminished growth momentum in all parts of the MBB Group, we are aiming for revenue of half a billion in 2018, with an EBITDA margin of around 10% achieved by MBB's now more than 2,000 employees. We are particularly proud that we now train 140 young employees, with 21 employees in dual study programmes. Our net financial resources, which have since risen to more than €320 million, and the Group's equity ratio of presumably now 70%, give us confidence that the next half-billion in revenue will take much less time than the first. You need not worry that these abundant resources will make us forget our principles – but MBB is better known, has first-rate references for the acquisition and long-term development of Mittelstand companies among all conceivable interest and decision-making groups, such as sellers, trade unions, employee representatives, the capital market or even the management of potential new investments.

There can be no question that a financial year like 2017 demands another increase in our dividend to 66 cents per share, and we also see another special dividend of the same amount as appropriate. After all, we want to defend our reputation as a dividend aristocrat, which we have established by regularly increasing our dividends since our own IPO in 2006 coming from 10 cents per share.

Anton Breitkopf and Dr Gerrit Karalus will be parting ways from the company as members of its Executive Management as their contracts are expiring on 30 June 2018, and they would like to take this opportunity to thank you for your trust! Dr Christof Nesemeier and Klaus Seidel are looking forward to continuing their work for MBB, and to being joined by Dr Constantin Mang as the third and youngest member of

Executive Management. We will strive to achieve extraordinary things in order to sustainably increase the value of our Group. Naturally, we cannot do this alone. We would especially like to thank our employees: It's no small thing to achieve double-digit organic growth rates with an empty labour market and full order books in factory halls that are not yet entirely finished – we know that, so just to make it even clearer: THANK YOU!

We hope that you will continue to place your confidence in MBB SE as our shareholder and accompany us on our path.

Yours,

The Executive Management of MBB

Report of the Board

In the year under review, the Board ensured that it was continuously informed about the business and strategic development of the company and advised and monitored the Executive Management in accordance with the tasks and responsibilities required of it by law, the Articles of Association and the provisions of the German Corporate Governance Code. This meant that the Board was informed about the financial position and performance, strategy, business policy, planning and risk situation of the MBB Group at all times.

This took place in personal discussions between the Chairman of the Board and the members of the Executive Management, through attending the meetings of the Executive Management, the regular information provided by the Executive Management on the course of business, and at the regular meetings of the Board held on 4 April, 28 June, 25 September and 4 December 2017 and an extraordinary meeting on 27 February 2017, which were attended by all members of the Board and the Executive Management of the company.

At the individual meetings, the Board analysed the company's current business development together with the Executive Management and discussed its strategic focus. The topics discussed included the economic situation of the company and the individual subsidiaries. In particular, in 2017 the Board monitored Aumann AG's highly successful IPO, its capital increase and the acquisition of USK Karl Utz Sondermaschinen GmbH. To the extent that individual transactions required the approval of the Board in accordance with the Articles of Association or the law, the Board examined these transactions and resolved whether to grant its approval. At its meeting on 9 March 2018, in light of the upcoming expiry of the Executive Management's contracts as at 30 June 2018, the Board of MBB SE appointed a new management team effective 1 July 2018. Dr Christof Nesemeier, Chief Executive Officer and Board member of MBB, will continue to head up the company's management moving ahead, with particular responsibility for Strategy, Capital Allocation and Finance. Klaus Seidel, previously Chief Technical Officer and part of MBB's management since 1999, will serve as Chief Operating Officer in future, also taking on responsibility for the development of the investment portfolio in addition to Technology Development and Legal. Dr Constantin Mang, who has worked for the MBB Group since 2014, will become its Chief Investment Officer in charge of Mergers & Acquisitions and Investor Relations. The Board concluded the Executive Management contracts for the period from 1 July 2018 to 30 June 2021. The Board is delighted that the successful cooperation can thus continue in the long term. As per their own wishes, Anton Breitkopf, currently Chief Finance Officer, and Dr Gerrit Karalus, currently Chief Investment Officer, will not be renewing their Executive Management contracts after they expire as at 30 June 2018. The Board would like to thank both of them for their extraordinarily successful work. The Board will propose electing Anton Breitkopf as the fourth member of the Board at the Annual General Meeting on 28 June 2018.

The Board also discussed corporate governance and the German Corporate Governance Code. The Board and the Executive Management took the measures required to ensure broad compliance with the Code in the year under review. The small number of exceptions are presented and explained in the declaration in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). This declaration has been published in the annual report and on the company's website www.mbb.com.

The Board has three members in total until further notice. It is therefore not necessary to form committees, and hence the Board again did not form any in 2017. In accordance with the Articles of Association, one member of the Board has been appointed as a member of the Executive Management.

The Board duly engaged the auditor elected by the Annual General Meeting, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, to audit the annual and consolidated financial statements for the 2017 financial year. The auditor submitted a declaration of independence to the Board in accordance with item 7.2.1 of the German Corporate Governance Code. This declaration confirms that there are no business, financial or other relationships between the auditor, its executive bodies and head auditors on the one hand, and the company and the members of its executive bodies on the other, that could give rise to doubt as to its independence.

The annual financial statements of MBB SE as at 31 December 2017 and the joint management report for MBB SE and the MBB Group prepared in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) and the consolidated financial statements as at 31 December 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) were audited by the auditor elected by the Annual General Meeting and engaged by the Chairman of the Board, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and issued with an unqualified audit opinion.

In accordance with the German CSR Directive Implementation Act of 11 April 2017, MBB SE has added a non-financial statement to the management report. This was submitted to and examined by the Board.

The Board also addressed the issue of diversity, in particular the equal participation of women and men in management positions, in the past financial year. At present, the members of the Board of MBB SE (three members) and its Executive Management (four members including the delegated member of the Board) are all men. While diversity is expressly welcomed, the Board believes that the key criterion when selecting members of management must be their professional and personal suitability. In light of the terms of executive appointments and the respective employment contracts, the Board does not anticipate any opportunity to change the composition of management positions between now and 30 June 2021. As such, a target of 0% for women in management positions was retained.

The Board examined the annual financial statements prepared by the Executive Management, the joint management report for MBB SE and the MBB Group, the proposal on the appropriation of net profit and the consolidated financial statements and discussed them personally with the auditor at the Board meeting on 11 April 2018. The auditor comprehensively answered all the Board's questions. The Board received the audit report in good time before the meeting. Following the completion of its examination, the Board did not raise any objections to the annual financial statements, the management report or the consolidated financial statements. The annual and consolidated financial statements were approved by the Board on 11 April 2018, and the annual financial statements of MBB SE have therefore been adopted.

The Board shares the opinion of the Executive Management as expressed in the joint management and Group management report and approves the proposal by the Executive Management on the appropriation of net profit.

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

Berlin, 11 April 2018

The Board

Gert-Maria Freimuth
Chairman

Combined Management Report and Group Management Report

MBB SE is a medium-sized, family-owned company that forms the MBB Group together with its subsidiaries.

The separate financial statements of MBB SE are prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, while the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) in line with section 315e HGB. The reporting on the situation of the Group is consistent with the reporting of MBB SE. Additional information on the annual financial statements of MBB SE is included in the section on the results of operations, financial position and net assets.

In terms of absolute figures, 2017 was the most successful year in the history of the company. The IPO of Aumann AG, the acquisition of USK Karl Utz Sondermaschinen GmbH ("USK") and the subsequent capital increase at Aumann AG, not to mention the strong organic growth at all companies, allowed consolidated revenue, adjusted EBITDA, (net) cash, equity and the dividend to rise to historic heights in 2017.

The MBB Group reported consolidated revenue of €403.1 million in 2017 after €332.2 million in 2016. Earnings before adjustments amounted to €4.7 million or €0.71 per share, while adjusted earnings amounted to €13.6 million or €2.06 per share. The adjustments relate to a) amortisation of the acquired order backlog of USK as a result of the PPA and b) the expenses of the long-term bonus programme based on the share price, which in turn relate directly to Aumann AG's IPO. As a result of the IPO and the capital increases at Aumann AG, MBB SE also incurred one-off expenses in addition to the equity increase attributable to the shareholders of MBB SE of €196.9 million or €29.89 per share in the 2017 financial year. These one-offs include the expense for the long-term bonus programme based on the share price, which rose by €8.7 million as a result of the IPO. We have discussed accounting for this expense through equity in the interests of presenting a "true and fair view". However, as IFRS presumably does not make provision for such an approach, we have recognised the expense in the income statement and subsequently adjusted it transparently in order to report adjusted earnings of €2.06 per share, which is suitable for showing the Group's operational performance compared to previous years while disregarding the effects of the IPO. A detailed discussion of this matter can be found under 4.20 in the notes to the consolidated financial statements.

The MBB Group reported net cash (cash and current/non-current securities less liabilities to banks) of €222.0 million as at 31 December 2017 (previous year: €22.2 million); this figure includes physical gold holdings in the amount of €1.9 million. Cash and cash equivalents, including gold, amounted to €279.2 million as at 31 December 2017 after €77.4 million as at 31 December 2016. The rise in (net) cash results in particular from the proceeds from the IPO of MBB's subsidiary Aumann AG in March 2017 and the capital increase performed by this company in December 2017. In addition, the 2017 financial year saw the payment of a regular dividend of €0.61 per share and a special dividend of the same amount (€1.22 per share combined or €8.0 million in total), the acquisition of another excellent family-owned company in USK and further investment in the organic growth of all companies.

The MBB Group's equity increased to €385.1 million after €98.4 million in the previous year – with the equity ratio rising accordingly from 36.9% to 63.0%. The rise essentially results from the net increase in value for MBB shareholders due to the capital measures performed, which are recognised in consolidated equity in accordance with IFRS.

The Board and the Executive Management will propose to the Annual General Meeting on 28 June 2018 the payment of a further increased dividend of €0.66 per share or €4.35 million for the 2017 financial year in addition to a special dividend of the same amount.

Order intake and capacity utilisation at the start of the new financial year suggest further organic growth at all MBB subsidiaries. Accordingly, management is forecasting revenue growth of 24% to more than half a billion euro for the 2018 financial year with earnings per share between €2.30 and €2.45.

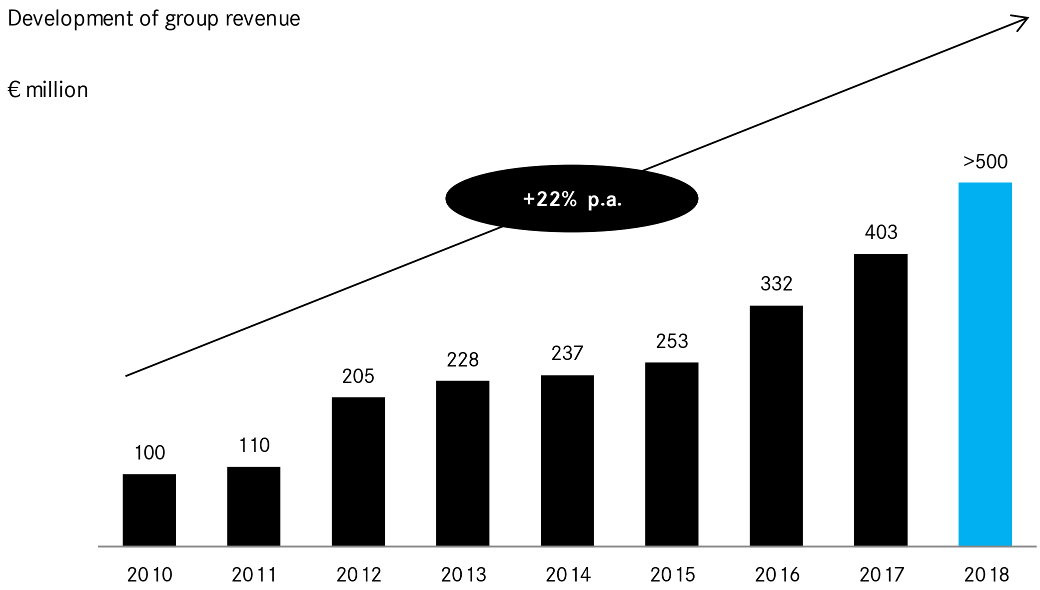
Business and economic conditions

Strategic orientation

MBB SE is a medium-sized, family-owned company specialising in the acquisition and management of medium-sized industrial companies with considerable technology and engineering expertise. MBB's superior revenue and value growth is based on five factors for success:

Growth

MBB has enjoyed strong growth in revenue and profitability since its formation, with annual growth of more than 20% since its IPO in 2006. Revenue amounted to €37 million in 2005; a figure of more than half a billion euro is forecast for the 2018 financial year. We intend to continue to achieve strong growth also in the future, both organically and by acquiring companies.



Technology expertise

MBB stands for Messerschmitt-Bölkow-Blohm and is the only remaining independent company to have emerged directly from the original MBB Group. In post-war Germany, MBB was synonymous with engineering. Bound by this tradition, our companies can boast expertise in their respective markets dating back several centuries in some cases. Today, too, we actively pursue superior technology expertise and believe that Germany offers conditions for achieving success on the global markets that cannot be found in any other location in the world.

Mittelstand

Our companies are organised in independent units of between 80 and 500 employees and largely belong to the category of small and medium-sized enterprises in Germany known as the Mittelstand. Tradition, regional identity and a commitment to training, employees and the common good are key pillars of our actions. More than 20 years of first-class references for SME acquisitions are our calling card when searching for new subsidiaries.

Capital markets

MBB is listed in the Prime Standard of the Frankfurt Stock Exchange, meaning it meets the highest standards in terms of transparency and compliance. Thanks to more than ten years of outstanding share price and dividend performance, MBB has not only reached a large group of international shareholders, but its attractiveness as an employer and business partner has also increased as a result. This means that our stock exchange listing provides the ideal conditions for our extraordinary growth plans.

Family-owned company

Gert-Maria Freimuth (Chairman of the Board) and Dr Christof Nesemeier (CEO) formed the company in 1995 and hold the majority of the share capital for the long term. We are confident that the personal commitment and continuity of its management team are key factors in its success, giving the company a clear sense of reliability and identity.

Market development

MBB's regional focus is on the German-speaking area. At the same time, MBB is increasingly enjoying an international presence thanks to its global markets and customers as well as foreign subsidiaries.

Despite considerable geopolitical uncertainty, the outlook for global economic growth improved over the course of 2017, and the global economy grew by 3.7% according to the International Monetary Fund. Growth accelerated compared to 2016 in more than 120 countries in total, together accounting for around three quarters of the global economy, indicating broad global growth.

Economic growth in the United States was 2.6% in 2017, and thus significantly higher than in the previous year. In addition to the weak dollar, which aided American exports, the tax plans announced by the US government have sparked growth that is likely to continue in the coming year as well. The Chinese economy grew strongly by 6.9% in 2017 according to official figures, even outperforming the Chinese government's target of 6.5%.

According to figures from the German Federal Statistical Office, the German economy grew by 2.2% in 2017, with domestic demand in particular driving this growth. For example, the average number of people in employment rose to a new high in 2017.

2017 was also dominated by further monetary policy measures by the European Central Bank, which naturally resulted in consistently low interest rates. The European Central Bank's programme of quantitative easing, which has been the subject of some controversy, is intended in part to limit the risk of deflation and to help move the rate of inflation in the euro area back towards 2%. Despite the announcement of several interest rate hikes in the US, market observers do not currently expect the ECB to raise interest rates over the course of 2018.

The effects of this low interest policy on MBB SE are reflected in continued high purchase prices for companies, as the willingness of banks to provide debt finance for such acquisitions has risen further. The long-term consequences of a sustained low interest policy on financial market stability and productivity improvements, which appear less urgent on account of the weak currency, are the subject of heated debate.

The sub-markets relevant to MBB developed positively for the most part. According to figures from European Automobile Manufacturers' Association (ACEA), 3.4% more vehicles were registered in Europe in 2017 than in the previous year, including in particular Italy (up 7.9%), Spain (up 7.7%), France (up 2.7%) and Germany (up 2.7%). Growth in registrations of electric and hybrid vehicles was extremely strong at 39.0% and 54.8% respectively, and is still being shored up by the announcement of significant investment programmes by all major automotive manufacturers.

Light commercial vehicle registrations climbed by 3.9% in Europe in 2017. The growth drivers were the markets of Spain (up 15.5%), France (up 7.1%) and Germany (up 4.9%).

According to figures from the German Association for Information Technology, Telecommunications and New Media (bitkom), the German IT market is still showing strong growth. While the market volume expanded by 3.9% to €86.2 billion in 2017, bitkom is forecasting further growth of 3.1% for 2018, particularly in the software area (up 6.3%).

Exchange rate fluctuations between the euro and the currencies relevant to the MBB Group, namely the US dollar, the Polish zloty and the Chinese renminbi, will remain significant and therefore continue to present considerable challenges for the MBB Group's financial management in 2018. The MBB Group continues to be conservatively financed. Its high liquidity and net cash position means that companies can be acquired independently of banks and irrespective of wider developments on the financial markets. Excess liquidity is predominantly invested in demand deposits, virtually without negative interest, and to a lesser extent in short-term bonds with good credit ratings, physical gold and in equities to a limited extent – but only when they meet the same criteria that MBB SE applies to the acquisition of German SMEs.

Market position

Thanks to its more than two decades of experience, MBB can offer references for a wide range of different scenarios for SME acquisitions, ranging from former owners and group shareholders, managers, employee representatives, trade unions and banks through to core customers and suppliers. Thanks to its experience, its network, its portfolio of companies enjoying profitable growth and its stock exchange listing, MBB SE is one of the leading industrial holding companies for German SMEs.

Aumann AG's capital measures in the past financial year have dramatically increased both awareness of the MBB Group and its net cash. Combined with the references described above, this is an ideal starting point for further growth through acquisitions. For example, another highly successful medium-sized company, USK Karl Utz Sondermaschinen GmbH, was acquired from its family shareholders in October 2017. USK is a consistently profitable automation solutions specialist with more than 375 employees and trainees at its Limbach-Oberfrohna headquarters, and will continue to support Aumann's growth with its development, construction and assembly capacity.

The MBB Group is still well protected against significant turbulence on individual markets thanks to the diversification of its subsidiaries. Past experience has shown that phases of weakness in certain sales markets are often accompanied by growth in others. The individual MBB companies are established Mittelstand companies, most of them are leaders in their respective markets, and they are characterised by a solid asset position and sustainable growth.

Stock exchange listing

One element of MBB SE's strategic development was its IPO in 2006 and its admission to the Prime Standard in 2008. The company has been trading as MBB SE since March 2015. As before, the interest of approximately 65% in MBB SE held by the company's founders as at 31 December 2017 serves to ensure MBB's sustainable development with a medium-sized, entrepreneurial focus.

Research and development

Innovation, together with the continuous evolution of our products, production technologies and solutions, is a central component of the corporate philosophy of all our subsidiaries. In the Aumann Group, for example, we are working very closely with our customers in order to further develop and improve our systems and the products ultimately manufactured with them. This applies in particular to the area of e-mobility, where we wish to defend and further expand the leading market position of the Aumann Group. For this purpose, among other things we have participated in public cooperation projects with universities and research institutes. At our other subsidiaries as well, we are pursuing an approach of continuous development for our products, production technologies and solutions.

Subsidiaries

MBB SE had six direct subsidiaries at the end of the 2017 financial year. As these direct subsidiaries of MBB SE themselves each have subsidiaries and sub-subsidiaries, the consolidated group as at 31 December 2017 consisted of MBB SE and a total of 24 companies. The following section lists these companies according to their ownership structure and the respective equity interest in them:

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Subsidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**49.17**
Aumann Beelen GmbH, Beelen, Deutschland	49.17
Aumann Berlin GmbH, Berlin, Germany	49.17
Aumann Winding and Automation Inc., Kansas City, USA*	49.17
Aumann Espelkamp GmbH, Espelkamp, Deutschland	49.17
Aumann North America Inc., Fort Wayne, USA	49.17
Aumann Immobilien GmbH, Espelkamp, Germany	49.17
MBB Technologies (China) Ltd. Changzhou, China	49.17
USK Karl Utz Sondermaschinen GmbH, Limbach-Oberfrohna, Deutschland	49.17
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**76.08**
Blomberger Holzindustrie GmbH , Blomberg, Germany	76.08
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	76.08
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	76.08
Delignit North America Inc., Atlanta, USA	76.08
DHK automotive GmbH, Oberlungwitz, Germany	76.08
HTZ Holztrocknung GmbH, Oberlungwitz, Germany	76.08
DTS IT AG, Herford, Germany	**80.00**
ACoN-IT GmbH, Vienna, Austria	80.00
DTS Systeme GmbH, Herford, Germany	80.00
eld datentechnik GmbH, Herford, Germany	80.00
ICSmedia GmbH, Münster, Germany	80.00
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**95.84**
OBO-Werke GmbH, Stadthagen, Germany	**100.00**

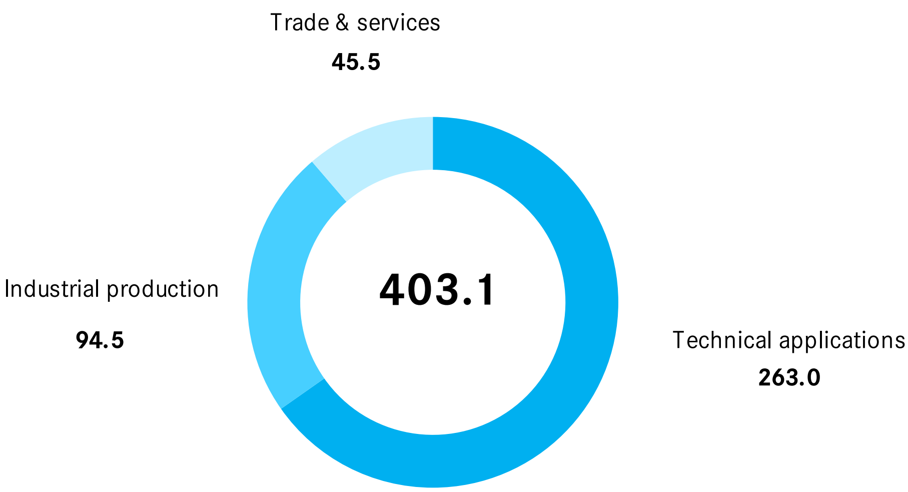
*The company is active since 2017.

Segments

The individual segments in which MBB Group companies operate have different focal points in terms of their business activities. These are described in brief in the following section. Detailed information on the individual companies is not published in order to prevent the possibility of adverse effects on their business activities, though our listed subsidiaries naturally fulfil their disclosure requirements.

The following segments are reported:

Group-revenue by segment
€ million



Technical Applications

This segment contains those subsidiaries whose business model reflects customer-specific requirements to a large extent and where the expertise and consulting sold along with the product constitute a significant portion of the work performed. The segment consists of the companies of the Delignit Group and the Aumann Group.

The Aumann Group is a world-leading manufacturer of innovative speciality machinery and automated production lines with a focus on e-mobility. The company combines unique winding technology for the highly efficient production of electric motors with decades of automation experience, particularly in the automotive industry. Leading companies around the world rely on Aumann solutions for the series production of purely electric and hybrid vehicle drives, and for solutions for production automation. In Germany, the Aumann Group has locations in Beelen, Espelkamp, Limbach-Oberfrohna and Berlin. It has also a location in Changzhou (China) since June 2013. The main aim of the location in China is to offer the local manufacturing and servicing of systems for Chinese production sites to customers of the German Aumann companies. In addition, the company serves Asian customers that are not part of the German Aumann companies' customer base but that require technologically advanced system solutions for manufacturing high-quality products. There is also a sales and service site in Kansas City (USA).

The energy transition towards more electromobility is a central issue in the public debate. The market has been experiencing massive growth momentum since almost all vehicle manufacturers have decided to focus their development on electric vehicles and announced billion-euro investment programmes. The combination of superior winding technology and decades of automation expertise gives Aumann a significant opportunity to benefit from this momentum. To assist in this development, Aumann AG went public in March 2017 and has since been listed in the Prime Standard of Deutsche Börse. Aumann has also been included in Deutsche Börse's TecDAX selection index since March 2018.

Aumann's project pipeline has never been as full as it is today. The company is one of the very few market participants capable of offering highly automated production lines for the full assembly and production of all key traction engine components from a single source: battery module, battery tray, fuel cell, rotor and stator with various winding technologies or alternative manufacturing methods. In addition, Aumann naturally also offers special-purpose machinery and automated lines for the production of drive components for combustion engines and light-weight components that allow the OEMs that use these components to reduce the CO_2 emissions of their fleet. The Aumann Group's offering also comprises assembly and logistics solutions for consumer electronics, transport equipment for the aerospace industry and specific solutions for other sectors.

In 2017 the Aumann Group increased its external revenue by 34.8% to €210.4 million (previous year: €156.0 million), thereby accounting for 52.2% (previous year: 47.0%) of MBB SE's consolidated revenue. On an annualised basis, Aumann would have achieved revenue of even more than €260 million in the past year. Order intake for the year as a whole rose by 48.5% to €282.3 million, while the order backlog was 54.4% higher year-on-year at €204.2 million as at the end of the year. On this basis, Aumann is forecasting further very strong growth in 2018.

The Delignit Group, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. It is a recognised development and project partner and series supplier for technology industries such as the automotive, aviation and rail sectors. The products have special technical properties and are used in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology, among other things. The Delignit material is generally based on beech wood and is lifecycle carbon-neutral, making it ecologically superior to non-regenerative materials such as plastic or steel. Since 2013 Delignit has been strengthened by the addition of DHK automotive GmbH and HTZ Holztrocknung GmbH, both of which are domiciled in Oberlungwitz. Furthermore, Delignit North America Inc. was founded in 2017 to leverage growth opportunities in the NAFTA region.

After entering into two major series production contracts for the automotive industry in 2016 that will form the foundation for the next decade, Delignit invested in the necessary structures and capacity to meet these growth challenges in 2017.

Delignit accounted for 13.1% of the MBB Group's revenue in the 2017 financial year after 14.6% in the 2016 financial year. The Delignit Group's external revenue increased by 8.5%, from €48.6 million in 2016 to €52.7 million in 2017.

Industrial Production

The Industrial Production segment contains all subsidiaries whose strengths are concentrated on the industrial manufacture of their products and whose products are relatively standardised. Accordingly, this segment contains the subsidiaries Hanke, CT Formpolster and OBO.

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of "aha", the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and coloured tissue paper for various private labels in Europe. The centrepiece of these activities is the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired by MBB SE in 2006.

Since being acquired by MBB SE, Hanke has invested significantly in its machinery and buildings, allowing it to achieve steady growth and expand its market position to become one of the most profitable companies in the MBB Group in relation to revenue. Almost every square meter of the company's headquarters in Kostrzyn has since been developed. The new logistics space created in 2017 ensures that the increased production volume of the two paper machines and the growing conversion capacity gets to our customers on time.

Hanke contributed €44.5 million, approximately 11.0%, to consolidated revenue in 2017, marking year-on-year growth of 20.5%.

CT Formpolster GmbH manufactures flexible polyether foams and is growing by expanding the degree of its vertical integration. As mattresses are increasingly finding their way to the end customer via online retailers, CT Formpolster has recently developed from a foam producer into a one-stop shop for mattresses. As part of this digital upheaval in the mattress industry, many providers are looking for innovative offers to meet changing customer expectations. CT Formpolster has long been producing high quality foams for this. However, what is increasingly setting the company apart from its competitors is the expertise needed to design and produce complete customer products, including mattress covers, in series. Having established this, the logistics capability to deliver mattresses directly to consumers within a few hours or days in compact boxes is at least just as important.

This development also entails the full utilisation of a completely new site, which uses highly automated processes on 12,000 m^2 and has increased capacity to more than 1,000 mattresses per day.

Despite a supplier-related roughly two-week stop in production, CT Formpolster has grown by 10.4% year-on-year with external revenue of €29.8 million (2016: €27.0 million). It contributes 7.4% (2016: 8.1%) to the Group's total revenue.

OBO is a global provider of polyurethane and epoxy resin-based materials for tooling applications. With a market share of around 7%, it is one of the leading providers in the industry. OBO has been part of the MBB Group since 2003. It primarily supplies intermediaries, as well as model builders, auto manufacturers, foundries and other processing companies directly. OBO has developed positively in recent years. Its growth is due to the acquisition of the European tooling, block and paste area of its long-term partner Huntsman Advanced Materials in 2014 on the one hand and, on the other, the expansion of its PU board business.

The subsidiary contributed 5.0% to the MBB Group's total revenue in 2017 (2016: 5.9%). External revenue amounted to €20.2 million in the 2017 financial year, up 3.1% on the previous year (2016: €19.6 million).

Trade & Services

The Trade & Services segment comprises the DTS Group, which consists of companies that provide specialist services or engage in retail business. The DTS Group is focused on IT security and cloud services. In IT security, DTS customers benefit from end-to-end coverage of their IT landscapes, which also affords 24/7 protection against complex attacks. A dedicated data centre at its head office in Herford allows the DTS Group to offer a wide range of traditional systems house services, such as the consulting, design, procurement, implementation and operation of IT environments, which are combined with IaaS, PaaS and SaaS cloud solutions (the latter with a focus on IT security). The original company, DTS Systeme GmbH, was formed in 1983 and is headquartered in Herford with offices in Bochum, Bremen, Berlin, Hanover, Munich, Nuremberg and Hamburg, where it also operates a data centre. ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH has its own data centre and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services. DTS acquired eld datentechnik GmbH, Stuttgart, in October 2011, while ACoN-IT GmbH, Vienna, was formed in 2015 to enable the DTS Group to also offer security and cloud services in particular in Austria.

In the past financial year, DTS was once again named Partner of the Year in Central Europe by Palo Alto Networks, the world's leading provider of network security solutions. It has received further awards in the field of IT security as well, such as Partner of the Year in the DACH region of the also internationally renowned company Proofpoint.

After already very strong growth in 2016, the DTS Group increased its revenue again by 3.2% to €45.5 million in 2017 (2016: €44.1 million). The growth is all the more remarkable as the DTS Group is increasingly moving away from its classic systems business, towards being an IT security and cloud specialist, where it is achieving significantly higher growth rates. The DTS Group therefore contributed 11.3% of the MBB Group's revenue (2016: 13.3%). All this has been accompanied by a very gratifying trend in profitability: EBITDA rose from €3.2 million in the previous year to €4.1 million.

Employees

MBB SE had a total of nine employees at the end of 2017; this figure includes Executive Management. While the members of top management have service agreements with MBB SE, the company also had two office management employees and three managers in 2017.

The aim of the management of MBB SE is to ensure the sustainable performance of the MBB Group. The founders Dr Christof Nesemeier and Gert-Maria Freimuth together hold around 65% of the share capital of MBB SE as at 31 December 2017. Appropriate fixed remuneration is supplemented by performance-based variable components. There are no severance or pension agreements. In the years 2013 to 2015 and 2017, a long-term bonus programme based on share price development was set up for the employees and management of MBB SE.

The MBB Group had an average of 1,703 employees (not including trainees) in the 2017 financial year, compared to an average of 1,418 in the previous year.

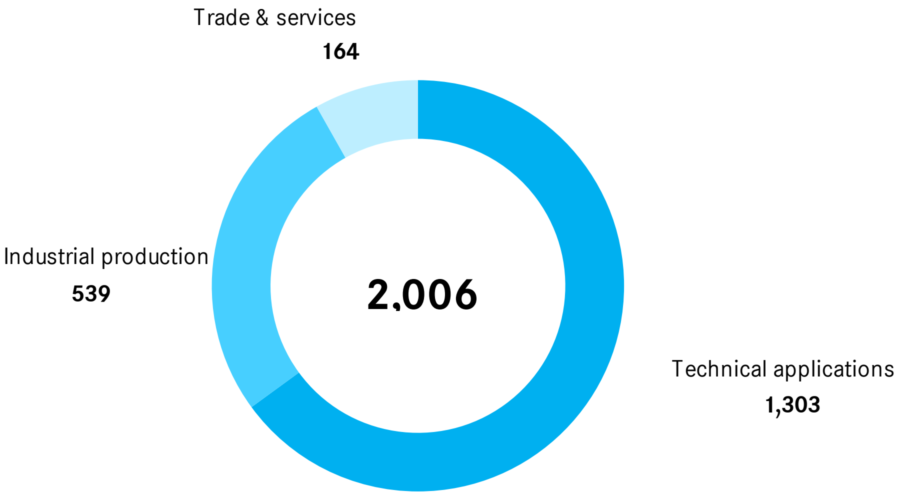
As at 31 December 2017 (and 31 December 2016), the MBB Group had 2,006 employees (previous year: 1,477) in the following segments:

Technical Applications: 1,303 employees (previous year: 869)

Industrial Production: 539 employees (previous year: 467)

Trade & Services: 164 employees (previous year: 141)

Headcount by segment as at 31 Dec 2017



The number of employees by country as at 31 December 2017 (31 December 2016) was as follows:

1,622 employees in Germany (previous year: 1,153)

341 employees in Poland (previous year: 291)

41 employees in China (previous year: 31)

2 employees in the US (previous year: 2)

MBB considers supporting and challenging its employees to be a key factor in its success. The management and senior employees of the companies, who have a major influence on the success of their business activities, receive variable remuneration components that are also dependent on the results achieved and the value growth of the companies.

The number of employees at the companies belonging to the Group in 2017 will increase in the 2018 financial year due to the growing business volume, though developments can vary across the individual subsidiaries for capacity reasons.

MBB SE's subsidiaries have a history of providing training, and, in total, there are 140 people either in training or on a dual study programme as at 31 December 2017 (previous year: 81). This will ensure a steady supply of junior talent even in times of a growing shortage of qualified employees. Including with a view to its existing employees, the MBB Group is constantly striving to improve the quality of its workforce through training and continuing professional development.

MBB believes attracting qualified employees such as specialists and academics to be a key factor in the successful future development of the respective companies. To this end, MBB companies position themselves as attractive employers and make use of modern channels such as the Internet and social media. The MBB Group is planning to expand these measures in future to consolidate its leading position in the competition for talented employees.

Results of operations, financial position and net assets

MBB SE and the MBB Group have enjoyed a successful and profitable 2017 financial year. Aumann AG adjusted its earnings forecast downward during the year owing to a relatively weak third quarter. Nevertheless, management's revised expectations regarding revenue and earnings development in 2017 were exceeded.

The high level of cash and cash equivalents is supporting MBB's business model and will allow future company acquisitions to be conducted independently and without the need for external finance. Continuous value appreciation – for example, in terms of the growth in equity from €15.5 million in 2005 to €385.1 million in 2017, the turnaround from net debt of €13.8 million in 2005 to net cash of €222.0 million at the end of 2017 and not least the development of market capitalisation – serves to highlight the sustainable success of our business model and the high quality of our investments. This means that the MBB Group can be expected to continue to make new acquisitions with a view to achieving value growth.

The following section discusses MBB SE and the MBB Group in greater detail.

MBB SE (notes on the basis of HGB figures)

In accordance with the German Commercial Code, the proceeds from the secondary offering of Aumann shares held by MBB SE are recognised through profit and loss. MBB SE therefore reported total other operating income of €161.9 million (previous year: €0.1 million). In addition, MBB SE generated revenue of €1.8 million from the performance of management services for Group companies in the 2017 financial year (previous year: €1.6 million). It thus achieved total operating revenue of €163.6 million (previous year: €1.7 million).

This was offset by expenses for purchased services in the amount of €21.8 million (previous year: €5.0 million), which related to the remuneration paid to the management of MBB SE. €12.1 million of this relates to bonuses paid to Executive Management in connection with the successful IPO of Aumann AG. As a result of the strong rise in the price of MBB shares, a further €9.1 million relates to expenses in connection with the long-term bonus programme for MBB SE management and employees based on the share price.

After personnel expenses and overheads, earnings before interest, taxes, depreciation and amortisation and income from investments and securities totalled €137.4 million (previous year: €-4.9 million).

MBB SE also generated investment income of €5.3 million, income from securities of €3.2 million and interest and similar income of €0.1 million. After depreciation and amortisation of €0.0 million, interest expenses of €0.2 million and tax expenses of €0.0 million, this resulted in a net profit for the year of €145.7 million (previous year: €1.6 million).

In addition to the regular dividend of €0.61 per share or €4.0 million, a special dividend of the same amount was distributed in the 2017 financial year.

As a result of these developments, the equity of MBB SE increased to €174.6 million as at the balance sheet date (previous year: €36.9 million). With a simultaneous increase in total assets, the equity ratio therefore rose to 94.3% (previous year: 71.1%).

Including long-term investments, investments classified as current assets and physical gold holdings, MBB SE had cash and cash equivalents of €159.2 million (previous year: €24.6 million) at the end of the financial year. Net cash and cash equivalents increased to €159.2 million as well (previous year: €14.6 million). Unrealised gains on physical gold holdings and securities are not included in this presentation of the financial position and results of operations.

MBB Group

In accordance with section 315e HGB, the consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective in the European Union.

The consolidated revenue of the MBB Group amounted to €403.1 million in the 2017 financial year after €332.2 million in the previous year.

Development of group revenue

At the same time, total operating revenue increased from €338.1 million in 2016 to €415.7 million in 2017. Other operating income of €11.5 million includes income from the sale of securities (€3.5 million), own work capitalised (€3.4 million), insurance and other compensation (€1.8 million), income from the reversal of provisions (€1.1 million), income from exchange rate differences (€0.4 million) and other income (€1.3 million).

The adjusted ratio of cost of materials to total operating performance increased slightly from 64.5% to 64.9%, while the adjusted personnel expense ratio was unchanged year-on-year at 22.1%.

Adjusted for the extraordinary expenses of the long-term bonus programme triggered by Aumann AG's IPO, EBITDA amounted to €38.9 million, up 28% on the previous year's figure of €30.4 million.

Development of adjusted group EBITDA

Depreciation and amortisation expense amounted to €10.5 million and was higher than in the previous year (€8.0 million). Investments in non-current assets totalled €24.5 million in 2017 after €14.0 million in the previous year.

The MBB Group's EBIT – further adjusted for PPA amortisation in connection with the first-time consolidation of USK (€0.5 million) – amounted to €29.0 million in the past financial year and is thus also significantly higher than the previous year's figure of €22.3 million.

Development of adjusted group EBIT

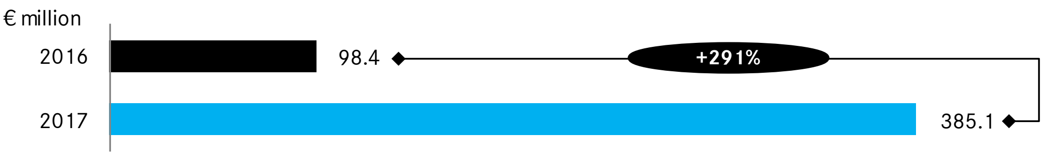
Adjusted for net financial income of €-1.8 million, adjusted EBT (earnings before taxes) amounted to €27.1 million (previous year: €21.0 million) or 6.7% (previous year: 6.3%) of total operating performance.

Income taxes amounted to €7.2 million (previous year: €4.8 million), while other taxes totalled €0.4 million (previous year: €0.4 million).

MBB and its subsidiaries thus generated an adjusted consolidated net profit of €13.6 million (corresponding to €2.06 per share) in 2017 after €14.3 million (corresponding to €2.16 per share) in the previous year. Without adjustment, consolidated net profit amounted to €4.7 million or €0.71 per share.

Furthermore, the success of the IPO and the subsequent capital increase at Aumann AG can above all be seen in the growth in consolidated equity to €385.1 million as at 31 December 2017 after €98.4 million in the previous year. Based on total consolidated assets of €611.2 million, the MBB Group therefore had an equity ratio of 63.0% (previous year: 36.9%). Accordingly, the Executive Management is of the opinion that the MBB Group has an excellent equity base.

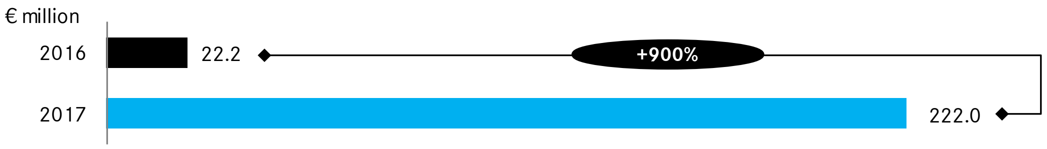
Development of group Equity



Cash flow from operating activities amounted to €3.8 million in the 2017 financial year after €32.2 million in the previous year. The decline in spite of a good operating performance was caused by an increase in working capital on account of growth. Both cash flow from financing activities (€257.5 million) and cash flow from investing activities (€-72.4 million) reached new heights in the past financial year. While the former was determined in particular by the IPO and capital increase of Aumann AG, the proceeds have already been partly invested in organic growth and the acquisition of USK.

The MBB Group had financial liabilities of €57.2 million (previous year: €55.3 million) as at 31 December 2017; the increase was essentially a result of the financial liabilities taken over with the acquisition of USK. The Group also had cash, current and non-current securities and physical gold (€1.9 million) totalling €279.2 million (previous year: €77.4 million). At €222.0 million, net cash (cash, current/non-current securities and physical gold less liabilities to banks) was significantly higher than in the previous year (€22.2 million). In the opinion of the Executive Management, this means that the MBB Group is currently excellently positioned for organic growth and growth through acquisitions.

Development of group Net Cash



Summary assessment

Executive Management rates the development of the MBB Group in 2017 as extraordinarily positive. Consolidated revenue, adjusted EBITDA, (net) cash, equity and the dividend have risen to new heights in 2017. In addition, important investments at all subsidiaries and the acquisition of USK as another excellent family-owned company were taken, thus setting the course for further growth.

Principles and objectives of financial management

The foundations of the Group's financial policy are determined by Executive Management. The primary objectives of our financial management are to safeguard liquidity and limit financial risks. Furthermore, our goal is to generate a return from the free liquidity of the Group despite the current low interest rates. Thus, to a smaller extent these funds are invested in short-term, highly diversified securities until they are needed to finance new acquisitions.

Intragroup transactions are usually conducted in euro. As the subsidiaries are independently responsible for hedging any extraordinary foreign currency items, there have been no significant unhedged items at Group level to date. As such, the MBB Group has not yet been required to perform active exchange rate hedging at Group level. Similarly, the management of the credit risks of our contract partners is the responsibility of the individual subsidiaries. However, monitoring at Group level serves to ensure timely intervention as necessary.

A key source of corporate finance is our operational business and the cash inflows it generates. However, long-term investments are financed with long-term loans.

Remuneration report

Executive Management

The remuneration of Executive Management consists of a fixed and a variable component. The members of Executive Management are also reimbursed for expenses on presentation of receipts. A D&O insurance policy with a deductible and accident insurance have also been taken out. On 13 December 2016 the Board resolved to set up a one-time management bonus programme in the event of an IPO by Aumann AG. Management waived the 2016 variable component in return. No additional benefits (e.g. retirement benefits, direct benefits, severance payments) have been agreed. Similarly, there are no agreements governing the early or regular termination of the Executive Management's mandate or termination in the event of a change of control at the company. The members of the Executive Management also participate in the long-term bonus programme based on the share price, which is determined by the Board for the respective financial year. Comprehensive information on the remuneration of the Executive Management can be found in the notes to these consolidated financial statements.

Board

The Board receives a fixed meeting fee of €1,500 per meeting plus the reimbursement of any expenses. D&O insurance with no deductible has also been concluded for the non-executive members of the Board. The D&O insurance for the Executive Management provides for a deductible of 10% up to a maximum of 1.5 times their fixed annual remuneration. In accordance with a resolution by the Annual General Meeting on 30 June 2015, the Board has also received variable remuneration from the 2015 financial year. The amount and calculation of variable remuneration are discussed in the notes to the consolidated financial statements. The total of the variable remuneration and the attendance fees for all Board members must not exceed €100,000 per full financial year. The remuneration paid to the Chief Executive Officer for his membership of the Board is offset in full, meaning that he does not receive any additional remuneration for this activity.

A detailed description of the remuneration system and a breakdown of the remuneration paid to the Board and the Executive Management can be found in the notes to the consolidated financial statements.

Controlling system

The MBB Group's systematic focus on increasing enterprise value is also reflected in its internal controlling system. To this end, we have implemented a mentor system in which an employee or member of Executive Management of MBB SE acts as the mentor for a subsidiary. In this role, the mentor is the first point of contact for the respective management on site and is closely involved in the strategic, operational and financial orientation of the subsidiary. Furthermore, all relevant developments at the subsidiary and at MBB SE are discussed at the monthly Executive Management meeting. The development of various key figures, in particular order intake, revenue, EBITDA and EBIT, of the individual Group companies is analysed here. Furthermore, ROCE is analysed regularly. MBB SE defines only consolidated revenue and earnings per share as its own key financial performance indicators relevant to forecasts. The key performance indicators for controlling the Group's net assets and financial position are firstly net cash (including all cash equivalents) and net debt and secondly cash flow.

Report on risks and opportunities

The business development of MBB SE is subject to the same risks and opportunities as the Group as a whole. Thus, the risks and opportunities are essentially presented from the perspective of the MBB Group below. MBB SE participates in the risks of individual subsidiaries in line with its equity holding.

Opportunities

In the opinion of the Executive Management, the MBB Group has the following opportunities for the future:

- The strong investing activities of the Group companies offer opportunities for further profitable growth
- The sustained high number of SMEs available for sale offers opportunities for acquisitions that will add value to the Group
- Investing in and increasing the value of small and medium-sized industrial companies allows above-average returns to be generated if successful
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, borrower or business partner and will boost MBB's importance as a holding company for industrial SMEs in Germany
- The experience and network of the current management offers a strong starting position for the continued growth of the MBB Group
- The diversification of the MBB Group will cushion the potential impact on the Group as a whole as a result of changes in the demand situation in individual markets
- The expansion of MBB SE's international activities will lead to greater proximity to the customer, and hence greater opportunities for growth
- The outstanding positioning of Aumann AG on the e-mobility growth market means it has the opportunity to benefit substantially from the development in this field
- As a result of the capital measures implemented at Aumann AG, the Group has received substantial funds, which MBB intends to primarily invest in further growth through acquisitions
- With now three listed Group companies and Aumann's inclusion in the TecDAX, the selection index of Germany's 30 biggest listed technology companies, the appeal of our shares to major global investment companies – and thus the prospects for more attractive valuations – is on the rise

In summary, the MBB Group has considerable opportunities arising from the operating activities of its individual subsidiaries and from the possible expansion of its portfolio of companies, particularly given the funds received by the Group.

Risks

The large number of opportunities described above and the current situation suggest that the MBB Group will enjoy successful development in the medium term. However, the MBB Group is also exposed to the following risks:

Exogenous risks

- Individual subsidiaries could be hit particularly hard by a potential economic crisis
- The refinancing of individual subsidiaries or new acquisitions could be unsuccessful
- A sustained economic downturn could lead to falling revenue or earnings at MBB SE's existing subsidiaries

Liability risks

- Despite comprehensive risk management, the Group companies are exposed to the general risks associated with their business activities. For example, the manufacturing companies within the Group in particular could be liable for warranty cases, environmental pollution, or production downtime
- MBB SE could be exposed to risks arising from sale and purchase agreement warranties, while its subsidiaries could be exposed to product liability or other statutory liability risks
- MBB SE is liable in the long term in accordance with the *Wertpapierprospektgesetz* (WpPG – German Securities Prospectus Act) in the context of the IPO of Aumann AG
- Three of the companies within the Group are currently listed – MBB, Aumann and Delignit – which means additional expenses and liability risks specific to the capital market

Other risks

- The international focus of MBB SE's activities could lead to subsidiaries in territories that are exposed to country-specific risks
- Aumann AG is a leading international supplier of systems for the automotive industry and other industries with a focus on e-mobility, which can lead to specific project risks on account of the size of individual projects
- The high purchase price expectations of potential sellers could limit the number of attractive investment opportunities, and hence the Group's growth

The forthcoming Brexit and its potential impact on the economy in Europe is not a significant risk for MBB. UK revenue is of minor significance to the Group. In the opinion of Executive Management, there are currently no risks to the continued existence of the Group. However, there are exogenous risks, liability risks and other risks to the MBB Group and individual subsidiaries. We currently consider the significance (probability of occurrence) of the risks to our business activities as low. These risks are countered by a broad diversification of the investment portfolio on the one hand and, on the other, by the Group's sound financial position.

Principles of the risk management system and the accounting-related internal control system

The MBB Group has established a risk management system to address the above risks. Measures are initiated at an early stage in order to prevent any disadvantage to the company. This system includes:

- Integrated subsidiary controlling that uses monthly business controlling to continuously compare target, actual and forecast data at the level of the portfolio companies and MBB SE
- Project controlling, which defines, develops and tracks the implementation of optimisation measures within the Group and at each individual company
- Regular management meetings within MBB SE and with the management of the respective subsidiaries
- Regular external or internal auditing to examine the focal areas determined in advance
- Structured M&A tools that are used to organise the proposal and acquisition process and test it for success, and the maintenance and continuous expansion of the network of M&A brokers and potential sellers;
- Central Group monitoring of material contractual risks and legal disputes by the management and qualified law firms as necessary

The internal control system is an integral component of MBB's risk management. Its primary objectives are to ensure that all transactions are accurately reflected in reporting and to prevent deviations from internal or external provisions. In terms of external accounting, this means that the conformity of the financial statements with the applicable regulations must be guaranteed. Accordingly, the structure of the internal control system and the risk management system reflects that of the reporting entities. MBB Group companies are subject to uniform accounting policies such as an accounting manual, compliance with which is monitored on an ongoing basis. External specialists are commissioned on a case-by-case basis to control individual accounting risks, e.g. in connection with actuarial valuations.

Declaration on corporate governance

The Board reports on corporate governance in accordance with item 3.10 of the German Corporate Governance Code and section 315d(5) HGB in conjunction with section 289f HGB. This declaration on corporate governance in accordance with section 315d(5) in conjunction with section 289f HGB must include:

1. the declaration of compliance with the German Corporate Governance Code by Executive Management and the Board in accordance with section 161 of the German Stock Corporation Act;

2. the corporate governance report;
3. relevant information on corporate governance practices going beyond the statutory requirements and details of where they are publicly accessible;
4. A description of the procedures of the Executive Management and the Board and the composition and procedures of their committees; if this information is publicly available on the company's website, reference can be made to this fact.
5. Presentation of targets for the share of women in the Board, Executive Management and the two management levels below Executive Management and their achievement.
6. a description of the diversity concept for the composition of the Board and Executive Management.

1. Declaration in accordance with section 161 AktG

The Board issued the most recent declaration of compliance in accordance with section 161 AktG on 17 March 2018. It reads as follows:

The Executive Management and Board of MBB SE submitted the last declaration of conformity in accordance with section 161 AktG on 17 March 2017 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration of conformity and relates to the German Corporate Governance Code (hereinafter also the "Code") of 7 February 2017.

The Board of MBB SE declares that it complies with the recommendations of the Government Commission on the German Corporate Governance Code with the features described below due to the one-tier system used by MBB SE with following exceptions:

Features of the one-tier system

As a European stock corporation (societas Europaea – SE), the company has a one-tier management and control structure.

The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). The Executive Management manages the company's business by implementing the basic principles and standards set out by the Board.

MBB SE interprets the regulations of the Code intended for supervisory boards as applying to its Board, and those intended for management boards as applying to its Executive Management. The following exceptions apply with respect to the legal design of the one-tier system:

- *By way of derogation from item 2.2.1 sentence 1 of the Code, the Board must present the annual financial statements and the consolidated financial statements to the Annual General Meeting, section 48(2) sentence 2 SEAG.*
- *By way of derogation from items 2.3.1 sentence 1 and 3.7(3) of the Code, the Board is responsible for convening the Annual General Meeting, sections 48 and 22(2) SEAG.*
- *The duties of the management board described in items 4.1.1 (management of the company), 4.1.2 in conjunction with 3.2 first half of the sentence (development of the strategic orientation of the company) of the Code are the responsibility of the Board, section 22(1) SEAG.*
- *The responsibilities of the management board described in items 2.3.2 sentence 2 (representative to exercise shareholders' voting rights in accordance with instructions), 3.7(1) (statements in the event of a takeover offer) and (2) (action in the event of a takeover offer), 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and controlling) of the Code are the responsibility of the Board, section 22(6) SEAG.*
- *By way of derogation from items 5.4.2 and 5.4.4 of the Code, members of the Board can be appointed to Executive Management if the majority of the Board still does not consist of members of Executive Management, section 40(1) sentence 2 SEAG.*

Departures

- *Item 3.8: D&O insurance: The D&O insurance policy for the non-executive members of the Board does not provide for a deductible. We are confident that our executive bodies and employees exercise their duties with the greatest care and diligence. In light of the relatively low level of fixed remuneration paid to the members of the Board, we do not consider a deductible for the nonexecutive members of the Board to be appropriate. The D&O insurance for the Executive Management provides for a deductible of 10% up to a maximum of 1.5 times their fixed annual remuneration.*
- *Item 4.2.3.: Long-term variable remuneration components: As a result of Aumann AG's IPO, remuneration components of the long-term bonus programme, which were originally planned to be paid out in 2018, were paid ahead of schedule in the past financial year.*
- *Item 5.1.2: Composition of management: When filling positions in the management of MBB SE, the Board complies with the requirements of German stock corporation law by ensuring that candidates have the requisite skills, knowledge and experience for the work of management. By contrast, while*

the Board expressly welcomes diversity, it considers criteria such as a candidate's gender to be secondary.

- *Item 5.3: Board committees: As the Board of MBB SE consists of three members, no committees can be formed. We consider the number of Board members to be adequate in light of the size of the company.*
- *Item 5.4.1: An age limit is not specified for the members of the Board. In light of the age of the Board members and their remaining term of office, we do not believe there to be any reason to introduce such a limit. A regular limit of length of membership of the Board is not specified, and we do not believe such a limit to be reasonable on account of the shareholder structure.*
- *Item 7.1.2: Publications: The consolidated financial statements and interim financial reports are published in accordance with the statutory periods and those imposed by Deutsche Börse for the Prime Standard. As an industrial holding company with a focus on majority interests in small and medium-sized industrial companies, MBB SE is required to consolidate a number of individual companies as well as regularly performing first-time consolidation and deconsolidation. As such, compliance with the periods proposed by the German Corporate Governance Code would lead to disproportionate expense for the company.*

2. Corporate governance report

Directors' shareholdings

The shareholdings of the members of executive bodies are shown under note 10.1 in II. Notes to the consolidated statement of financial position.

Composition of the Board

The members of the Board must, as a whole, have practical experience in the area of management, industry expertise and business and legal knowledge. The current members of the Board fulfil this objective.

Share buy-back programme

On 10 March 2015 MBB resolved to utilise the authorisation granted by the Annual General Meeting on 17 June 2013 to purchase treasury shares in accordance with section 71(1) no. 8 AktG and to implement a share buy-back programme in the period from 18 March to 7 May 2015. 13,225 treasury shares in total, corresponding to 0.2% of the share capital, were purchased on the stock exchange via a bank at an average price of €23.54, resulting in a total purchase price of €311,330.86. In accordance with section 71b AktG, these shares do not carry voting or dividend rights and serve to reduce the number of shares that do carry voting and dividend rights.

Auditor

The Annual General Meeting of MBB SE elected RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, as the auditor of the financial statements of MBB SE. At no point were there any business, financial, personal or other relationships between the auditor, its executive bodies and head auditors on the one hand, and MBB SE and the members of its executive bodies on the other, that could give rise to doubts as to the independence of the auditor. The Board of MBB SE issues the audit engagement to, and agrees the corresponding fees with, the auditor elected by the Annual General Meeting. When issuing the audit engagement, the Board and the auditor also agree on the reporting obligations set out in the German Corporate Governance Code.

The auditor participates in the discussions of the Board on the single-entity and consolidated financial statements and reports on the key findings of its audit.

Long-term bonus programme/security-based incentive systems

Details of the long-term bonus programme can be found in the remuneration report.

3. Information on corporate governance practices

The Executive Management of MBB SE complies with the applicable laws. There are no codified and publicly accessible corporate governance practices above and beyond these requirements to date. However, a Group-wide compliance management system is currently being introduced.

4. Procedures of Executive Management and the Board

The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). The Executive Management manages the company's business by implementing the basic principles and standards set out by the Board. As per their own wishes, Anton Breitkopf and Dr Gerrit Karalus will be stepping down from Executive Management as at 30 June 2018. The new management team consists of Dr Christof Nesemeier as CEO, Klaus Seidel as COO and Dr Constantin Mang as CIO. Their contracts run from 1 July 2018 to 30 June 2021.

The Board of MBB SE consists of Gert-Maria Freimuth (Chairman), Dr Peter Niggemann (Deputy Chairman) and Dr Christof Nesemeier. The Board will propose electing Anton Breitkopf as the fourth member of the Board at the Annual General Meeting on 28 June 2018 to continue the decades of successful cooperation in a new role. The MBB Group does not have a right of co-determination, meaning that all of the members of the Board are shareholder representatives.

The individual subsidiaries each have independent operational management teams, some of which hold shares. The management teams of MBB SE and the subsidiaries cooperate closely on the development of the respective companies.

5. Targets for the share of women

When filling positions in the management of MBB SE and the two management levels below Executive Management, the Board complies with the requirements of the German Stock Corporation Act by ensuring that candidates have the skills, knowledge and experience that are required for the work of the management. By contrast, while the Board expressly welcomes diversity, it considers criteria such as a candidate's gender to be secondary. Given this, a target for the share of women of 0% has been set.

6. Diversity concept

The composition of the Board and Executive Management is exclusively based on the knowledge, skills and professional experience of the respective candidates. An age limit and a time limit have not been set for members of Executive Management or the Board. Given the age of executive body members and their remaining term of office, we also do not believe there to be any reason to introduce such a limit. A regular limit on the length of membership has not been specified, and we do not believe such a limit to be reasonable given the shareholder structure. While we expressly welcome diversity, we consider criteria such as a candidate's gender to be secondary. It is intended to maintain this practice in future to ensure experience and competence. We are of the opinion that decisions on proposals for the composition of the Board and Executive Management should be made individually in line with the specific respective situation and without creating or publishing a concept.

Disclosures in accordance with section 289a and section 315a HGB

In accordance with sections 289a and 315a HGB, the management report must contain the following disclosures:

Composition of issued capital

The share capital reported in the balance sheet as at 31 December 2017 in the amount of €6,600,000 consists of 6,600,000 no-par value bearer shares and is fully paid in. Each share grants the bearer one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares

There are no restrictions on voting rights or the transfer of shares.

Direct or indirect equity interests exceeding 10% of the voting rights

Direct or indirect equity interests exceeding 10% of voting rights are presented in the notes to the consolidated financial statements under note 10.1 in II. Notes to the consolidated statement of financial position.

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

Nature of control of voting rights in the event of employee participation

There are no corresponding employee participation schemes.

Statutory provisions and Articles of Association on the appointment and dismissal of members of the Executive Management and on amendments to the Articles of Association

Members of the Executive Management are appointed and dismissed in accordance with sections 84 et seq. AktG. Article 6 of the Articles of Association governs the appointment and dismissal of members of the Executive Management as follows: "The company has one or more members of the Executive Management. Individual members of the Board can be appointed as members of the Executive Management provided that the majority of the Board still consists of non-executive members. The Board is responsible for determining the number of members of the Executive Management and for their appointment, the conclusion of their employment contracts and the revocation of their appointment. Members of the Executive Management are elected for a maximum term of six years and can be dismissed by the Board at any time prior to the end of their term. If more than one member of the Executive Management is appointed, the Board can nominate one of the members of the Executive Management as the Chairman or Chief Executive Officer (CEO). The Board can also nominate deputy members of the Executive Management. The members of the Executive Management conduct the company's business jointly in accordance with the law, the Articles of Association, the Rules of Procedure and the instructions issued by the Board. They implement the basic principles and standards set out by the Board. If only one member of the Executive Management is appointed, the company's business is conducted solely by this member as described above. The members of the Executive Management receive remuneration as determined by the Board in accordance with section 87 AktG."

In accordance with section 179(1) AktG, all amendments to the Articles of Association require a corresponding resolution by the Annual General Meeting. In accordance with Article 24 of the Articles of Association, amendments to the Articles of Association require a simple majority of the votes cast at the Annual General Meeting, to the extent that this is permitted by law; abstentions do not count as votes cast.

Article 11(2) of the Articles of Association also states that the Board is authorised to make amendments to the Articles of Association that relate solely to their wording. In particular, the Board is authorised to amend the wording of the Articles of Association in the event of the full or partial implementation of an increase in the share capital."

Powers of the Board with particular reference to the ability to issue or buy back shares

The Annual General Meeting on 30 June 2015 authorised the Board of MBB SE to increase the company's share capital on one or more occasions by a total of up to €3,300,000 in the period until 29 June 2020 by issuing new no-par value bearer shares in exchange for cash or non-cash contributions (Authorised Capital 2015/I).

The Annual General Meeting on 30 June 2016 resolved Contingent Capital 2016/I, which was entered in the commercial register on 19 August 2016. The Board was thus authorised to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of 10 years in the period until 29 June 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000.

The Annual General Meeting on 17 June 2013 resolved to authorise the Managing Board to purchase and sell treasury shares corresponding to up to 10% of the share capital on the stock exchange in the period from 18 June 2013 to 16 June 2018.

Material agreements subject to the condition of a change of control as a result of a takeover bid

There are no such agreements.

Compensation agreements with members of the Managing Board or employees for the event of a takeover bid

There are no such compensation agreements.

Non-financial statement in accordance with section 315b HGB

MBB SE sees sustainability as a central business task. Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of Executive Management. On the basis of the German Act to Strengthen Non-Financial Reporting by Companies in Management and Group Management Reports (CSR Directive Implementation Act) of 11 April 2017 and in accordance with standard recommendations and frameworks for sustainability reporting, a materiality analysis was conducted in 2017 in order to identify the sustainability issues key to MBB's stakeholders. However, it has been decided not to apply an extensive framework with a corresponding separate sustainability report as MBB's corporate structure does not allow an acceptable cost-benefit ratio.

Stakeholders and materiality analysis

Family owners: The family shareholders Dr Christof Nesemeier and Gert-Maria Freimuth are MBB SE's main equity providers. Their focus is on responsible action and sustainable value creation.

Investors: The other investors also expect MBB SE to take sustainable and responsible action, with a clear strategic focus and transparent reporting.

Customers of the subsidiaries: The customers of our subsidiaries want reliable partners to reliably provide innovative solutions while exercising ecological and social responsibility.

Employees: Our employees value an attractive and secure workplace where they can apply their skills as trained. Continuing professional development is part of our sustainable employee strategy.

MBB SE is in regular contact with all stakeholder groups. While family shareholders play a key role in the co-determination of MBB SE's sustainability strategy through their roles as Board and Executive Management managers, other stakeholders are informed through various channels, including a direct dialogue, regular financial reporting, conferences and roadshows.

Materiality analysis

The materiality analysis identified "employee matters" and "environmental matters" as the core issues of MBB's sustainability strategy. These aspects are explained in more detail below. Please see the notes to the consolidated financial statements for the description of the company's business model required in accordance with section 289c(1) HGB. The issues of "social matters", "respecting human rights" and "combating corruption and bribery" are also described. As we consider these topics important but, in our opinion, secondary as regards MBB's sustainability strategy, they will be discussed only briefly. Please see the table at the end of this section for an overview of key non-financial indicators.

Employee matters

Our employees are our Group's most important resource. It is therefore a central component of our sustainability strategy to attract new, motivated employees while attaining a high level of satisfaction and motivation with a low turnover within the staff body.

The MBB Group sees attracting qualified employees as its biggest challenge, and it is one that we actively address. We have now been able to increase the number of our employees for eight years in a row. In addition to conventional job adverts and recruitment consultants, we are increasingly also achieving this by using social media and the positioning of MBB and its individual subsidiaries as attractive employers. We intend to continue this approach moving ahead. Our Group currently has 2,006 employees and 140 trainees (including employees on a dual study programme). Furthermore, as at 31 December 2017 we have 345 temporary employees who – assuming general suitability – have been taken on as regular employees in the past.

MBB considers supporting and challenging its employees to be a key factor in its success. Our employees take part in training and continuing professional development in all areas of the Group, with high standards of occupational health and safety and the selective promotion of junior executives. The MBB Group currently has 119 trainees (previous year: 81) and 21 employees on a dual study programme (previous year: three). To remain an attractive employer, all our subsidiaries invest in their employees, either directly, by offering home office or, for example, at the state-of-the-art training centre at Aumann.

At present, 18.6% of the MBB Group's employees are women. The Group's first management level currently consists entirely of men, while the second management level currently has 17 women managers. While diversity is expressly welcomed, we believe that the key criterion when selecting management must be professional and personal suitability rather than sex.

Environmental matters

The responsible handling of natural resources is a key issue at all levels of the MBB Group, as operational decisions at our subsidiaries always have ecological consequences. This applies to the use of raw materials in addition to the energy efficiency of the individual subsidiaries. However, it also applies in particular to the impact of our products and services on our customers' environmental protection goals. Many MBB companies thereby make an important contribution to environmental protection and thus already have a strong interest in this topic for strategic reasons.

As a production material and energy resource, wood is ecologically unique and is Delignit AG's main source of raw materials. Accordingly, Delignit supports, for example, the Association of the German Wood-Based Panel Industry's responsible wood use initiative and was awarded the "Blue Angel" for sustainable forestry and low-emission wood-based panels. Thanks to this, and also to the renewable nature of this material in particular, Delignit AG exemplifies the definition of ecological sustainability. In addition, the use of wood as a substitute for products made from non-renewable raw materials is a further example of active climate protection. For example, a beech panel weighs only a tenth of a piece of structural steel of the same dimensions but has a third of its strength. The use of Delignit beech in the automotive industry, for example, thus reduces fossil CO_2 emissions. Carbon footprint is a major concern for many of our customers. If different application solutions based on different materials and materials are available, the sustainability of Delignit products can be the deciding factor.

The Aumann Group also makes a significant contribution to reducing emissions and protecting the environment. Aumann is a provider of special-purpose machinery and automated manufacturing solutions that enable car manufacturers to mass-produce highly efficient and technologically advanced e-motors with superior power-to-weight by using direct winding technologies. In addition to solutions for e-motor components, Aumann also supplies special-purpose machinery and production lines for the manufacture of automotive energy storage systems and hybrid modules in addition to full electric powertrains. Almost on a daily basis, headlines confirm that the global investment budgets for electromobility are being increased. Accordingly, the share of Aumann's total revenue accounted for by its e-mobility segment increased from 27.2% in 2016 to 28.9% in the past financial year, and we expect this development to accelerate further. But Aumann's classic business area also contributes significantly to reducing emissions. Thus, Aumann's systems for the production of drive components for combustion engines, such as transmissions, assembled camshafts, cylinder activation and deactivation modules or lightweight structural components make a key contribution to reducing our customers' fleet fuel consumption and CO_2 emissions.

Not least on account of rising customer demand for responsible action and sustainable products, our companies in the Industrial Production segment also do their share for our environment. For example, all CT Formpolster foams and, of course, all applications based on them, such as mattresses, are certified according to ÖkoTex 100, Class 1 for Babies. Like at CT Formpolster, the formulas used by OBO are continuously improved to reduce the use of hazardous materials. Our subsidiaries also lead by example in waste utilisation and disposal. For example, the majority of the waste produced by CT Formpolster is used as carpet underlay material. Waste prevention is a key issue at OBO as well. While up to 20% waste was incurred in the past as a result of production, the company has since invested in a new extraction and briquetting system to compress significant waste components, firstly to reduce logistics costs and secondly so that the compressed material can be use as insulation. And we have achieved a lot in the past year at Hanke as well. For example, the energy efficiency of our paper machinery was significantly increased by the new energy centre built in 2016 and further optimisation last year, and water consumption per tonne of output has also been reduced substantially.

In terms of direct energy consumption, MBB SE assists its subsidiaries in implementing energy efficiency measures and the introduction of corresponding management systems. The energy management systems of almost all operating companies are now ISO 50001 certified. 11 of our companies also have a certified quality management system in accordance with ISO 9001.

Key environmental risks associated with the products and services of the subsidiaries result from accidents that are unlikely but that cannot be ruled out completely. We counter the theoretical risk of an accident with an environmental impact with established procedures at the individual subsidiaries. Risks also result from the raw materials used, some of which can be harmful to health in an unprocessed state. We manage this risk with high quality requirements for our suppliers and high quality standards at our companies.

Social matters, respecting human rights and combating corruption and bribery

Social matters: All MBB companies are part of the community at their respective locations. In addition to their role as an employer, they also contribute to the good of these communities through, for example, cooperations with schools or sports clubs.

Respecting human rights: MBB's companies have deep roots in Germany and Europe, and respect the human rights of employees, suppliers and business partners in their day-to-day operations. We have not detected risks of non-standard remuneration, inappropriate working hours, restrictions on the freedom of assembly or equal rights at either our subsidiaries or their suppliers.

Combating corruption and bribery: We have always considered compliance with legal provisions and guidelines, in addition to correct conduct in business transactions, to be a core component of sustainable corporate governance. In order to uphold this long-established maxim, Aumann AG is currently introducing an ISO compliance management system with the assistance of MBB. The introduction of such a system is also planned for MBB SE itself and the other subsidiaries. With regard to our M&A activities, the integrity of the persons involved is also one of our basic requirements when considering a new investment.

	2017	2016
Employees		
Number of female executives (first and second level)	17	13
Share of female employees in relation to total employees	18.6%	18.2%
Share of temporary workers in relation to total employees	17.2%	10.8%
Number of apprentices	119	77
Number of employees in cooperative study programs	21	3
Reportable work accidents	76	42
Deadly work accidents	0	0
Environment		
Energy intensity in MWh / €m revenue	160	371
Water intensity in m3 / €m revenue	726	1,089
Waste intensity in t / €m revenue	3.9	4.3
Social		
Charitable donations and sponsoring in €k	54	25

Events after the end of the reporting period

MBB SE placed 1,703,700 Aumann shares at a price of €61 on 27 February 2018. With a holding of 38.0%, MBB is still the largest shareholder in Aumann AG and plans to continue to consolidate Aumann in the MBB Group moving ahead. The gross issue proceeds amounted to €103.9 million, significantly boosting the Group's equity and net cash, which is to be used for the further expansion and diversification of the MBB portfolio.

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

Outlook

The dynamic growth of MBB – of more than 20% p.a. since its IPO in 2006 – is expected to continue in 2018. Factors contributing to this include organic growth at all companies driven by strong order intake and successful acquisitions activities. Assuming that USK, which was acquired in October 2017, had already contributed to consolidated revenue since 1 January 2017, MBB revenue for the year would have amounted to more than €450 million. On this basis, Executive Management is forecasting consolidated revenue of at least half a billion euro and earnings per share of between €2.30 and €2.45 in 2018. We see our outstanding equity and liquidity resources as a solid foundation for growth through the acquisition of new subsidiaries as well. The forecast does not take into account potential acquisitions in the course of the current financial year.

Berlin, 11 April 2018

The Executive Management of MBB SE

MBB SE Condensed Annual Financial Statements for 2017

Income statement (HGB)	2017 €k	2016 €k
Revenue	1,778	1,603
Other operating income	161,861	118
Cost of purchased services	21,794	4,976
Staff costs	2,533	634
Depreciation and amortisation of intangible assets and property, plant and equipment	33	41
Other operating expenses	1,911	1,052
Income from equity investments	5,283	6,031
Income from other securities and loans of financial assets	3,229	559
Other interest and similar income	91	79
Write-downs on financial assets and current securities	26	3
Interest and similar expenses	205	59
Income tax expense	2	26
Net profit for the year	**145,738**	**1,599**
Profit carried forward from the previous year	3,687	10,124
Unappropriated surplus	**149,425**	**11,723**

Statement of financial position (HGB) Assets	31 Dec 2017 audited €k	31 Dec 2016 audited €k
Intangible assets	66	11
Property, plant and equipment	59	47
Financial assets	57,004	47,634
Noncurrent assets	**57,129**	**47,692**
Receivables and other assets	3,707	1,800
Securities	1,897	983
Cash in hand and bank balances	122,293	1,417
Current assets	**127,897**	**4,200**
Deferred items	**41**	**11**
Total assets	**185,067**	**51,903**
Equity and liabilities	€k	T€
Equity	**174,598**	**36,896**
Provisions	**9,272**	**4,486**
Liabilities	**1,197**	**10,521**
Total Equity and liabilities	**185,067**	**51,903**

Appropriation of earnings

The net profit of €145,738,229.32 is reported with the profit carried forward of €3,687,482.73 as net retained profits. As in previous years, the Executive Management and the Board will propose to the Annual General Meeting the payment of a dividend. This is to amount to €4,347,271.50 or €0.66 per share, plus a special dividend in the same amount, therefore €8,694,543.00 in total.

Adjusted Consolidated Income Statement

Adjusted IFRS consolidated statement of profit or loss	1 Jan - 31 Dec 2017 €k adjusted	1 Jan - 31 Dec 2016 €k unadjusted
Revenue	**403,077**	**332,165**
Increase (+)/decrease (-) in finished goods and work in progress	1,126	1,367
Operating performance	**404,203**	**333,532**
Other operating income	11,480	4,593
Total performance	**415,683**	**338,125**
Cost of raw materials and supplies	-198,687	-168,139
Cost of purchased services	-63,728	-46,828
Cost of materials	**-262,415**	**-214,967**
Wages and salaries	-69,796	-57,665
Social security and pension costs	-19,657	-15,992
Staff costs	**-89,453**	**-73,657**
Other operating expenses	-24,953	-19,146
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	**38,862**	**30,355**
Amortisation and depreciation expense	-9,905	-8,013
Earnings before interest and taxes (EBIT)	**28,957**	**22,342**
Write-downs on securities	-26	-3
Finance revenue	374	736
Finance costs	-2,195	-2,115
Net finance costs	**-1,847**	**-1,382**
Earnings before taxes (EBT)	**27,110**	**20,960**
Income tax expense	-7,364	-4,801
Other taxes	-415	-380
Profit or loss for the period	**19,331**	**15,779**
Non-controlling interests	-5,771	-1,526
Consolidated net profit	**13,560**	**14,253**
Earnings per share (in €)	2.06	2.16

Adjustments refer to the expense of the increase in the provision for the long-term bonus programme, which is directly attributable to Aumann's IPO, and the amortisation of the order backlog capitalised in the PPA. Please see the detailed comments in the notes under 4.20.

IFRS Consolidated Financial Statements for 2017

IFRS consolidated statement of profit or loss	Notes	1 Jan - 31 Dec 2017 €k	1 Jan - 31 Dec 2016 €k
Revenue	III.1.	**403,077**	**332,165**
Increase (+)/decrease (-) in finished goods and work in progress		1,126	1,367
Operating performance		**404,203**	**333,532**
Other operating income	III.2.	11,480	4,593
Total performance		**415,683**	**338,125**
Cost of raw materials and supplies		-206,723	-168,139
Cost of purchased services		-63,728	-46,828
Cost of materials		**-270,451**	**-214,967**
Wages and salaries		-70,484	-57,665
Social security and pension costs		-19,657	-15,992
Staff costs		**-90,141**	**-73,657**
Other operating expenses	III.3.	-24,953	-19,146
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**30,138**	**30,355**
Amortisation and depreciation expense	II.1.	-10,428	-8,013
Earnings before interest and taxes (EBIT)		**19,710**	**22,342**
Write-downs on securities	II.8.	-26	-3
Finance revenue	III.4.	374	736
Finance costs	III.5.	-2,195	-2,115
Net finance costs		**-1,847**	**-1,382**
Earnings before taxes (EBT)		**17,863**	**20,960**
Income tax expense	III.6.	-7,207	-4,801
Other taxes	III.6.	-415	-380
Profit or loss for the period		**10,241**	**15,779**
Non-controlling interests		-5,585	-1,526
Consolidated net profit		**4,656**	**14,253**
Earnings per share (in €)	III.8.	0.71	2.16

IFRS consolidated statement of other comprehensive income	Notes	1 Jan - 31 Dec 2017 €k	1 Jan - 31 Dec 2016 €k
Consolidated net profit		**4,656**	**14,253**
Non-controlling interests		5,585	1,526
Profit or loss for the period		**10,241**	**15,779**
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	II.10.4	1,139	-586
Available for sale financial assets		960	1,191
Items that not be subsequently reclassified to profit and loss			
Pension reserves	II.10.4	-985	-2,278
thereof deferred taxes		691	640
Other comprehensive income after taxes		**1,805**	**-1,033**
Comprehensive income for the reporting period		**12,046**	**14,746**
there of attributable to:			
- Shareholders of the parent company		8,412	13,397
- Non-controlling interests		3,634	1,349

Statement of financial position Assets (IFRS)	Notes	31 Dec 2017 audited €k	31 Dec 2016 audited €k
Non-current assets			
Concessions, industrial property rights			
and similar rights	II.3.	10,137	4,919
Goodwill	II.2.	40,300	11,874
Advance payments		122	0
Intangible assets		**50,559**	**16,793**
Land and buildings			
including buildings on third-party land	II.4.	49,080	34,555
Technical equipment and machinery	II.4.	23,920	19,540
Other equipment, operating and office equipment	II.4.	8,575	5,510
Advance payments and assets under development	II.4.	9,795	4,806
Property, plant and equipment		**91,370**	**64,411**
Investment securities	II.8.	37,621	21,925
Other loans		907	902
Financial assets		**38,528**	**22,827**
Deferred tax assets	II.9.	**9,772**	**8,236**
		190,229	**112,267**
Current assets			
Raw materials and supplies	II.5.	13,194	8,505
Work in progress	II.5.	6,721	4,078
Finished goods and commodities	II.5.	12,328	11,051
Advance payments		3,241	2,137
Inventories		**35,484**	**25,771**
Trade receivables	II.6.	44,937	25,519
Receivables from construction contracts	II.6.	83,091	39,660
Other current assets	II.7.	15,896	7,732
Trade receivables		0	
and other current assets		**143,924**	**72,911**
Gold	II.8.	1,931	1,946
Securities	II.8.	5,845	8,679
Available-for-sale financial assets		**7,776**	**10,625**
Cash in hand	V.	19	14
Bank balances	V.	233,797	44,885
Cash in hand, bank balances		**233,816**	**44,899**
		421,000	**154,206**
Total assets		**611,229**	**266,473**

Statement of financial position Equity and liabilities (IFRS)	Notes	31 Dec 2017 audited €k	31 Dec 2016 audited €k
Equity			
Issued capital	II.10.1	6,587	6,587
Capital reserve	II.10.2	214,333	17,480
Legal reserve	II.10.3	61	61
Retained earnings	II.10.4	68,058	67,979
Non-controlling interests	II.10.5	96,018	6,292
		385,057	**98,399**
Non-current liabilities			
Liabilities to banks	II.12.	39,814	32,940
Trade payables	II.12.	51	165
Other liabilities	II.13.	7,406	2,880
Pension provisions	II.11.	23,975	24,403
Other provisions	II.14.1	8,959	5,838
Deferred tax liabilities	II.9.	6,384	3,663
		86,589	**69,889**
Current liabilities			
Liabilities to banks	II.12.	13,511	18,904
Advance payments received	II.12.	28,741	14,740
Trade payables	II.12.	43,333	28,352
Other liabilities	II.13.	13,292	6,838
Provisions with the nature of a liability	II.14.1	20,091	14,539
Tax provisions	II.14.2	3,031	2,851
Other provisions	II.14.1	17,584	11,961
		139,583	**98,185**
Total equity and liabilities		**611,229**	**266,473**

Consolidated statement of cash flows	1 Jan - 31 Dec 2017 €k	1 Jan - 31 Dec 2016 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**19,710**	**22,342**
Adjustments for non-cash transactions		
Write-downs on non-current assets	10,428	8,013
Increase (+) /decrease (-) in provisions	-80	3,289
Gains (-) / Losses (+) from disposal of PPE	-234	-194
Other non-cash expenses/income	369	-19
	10,483	**11,089**
Change in working capital:		
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-15,358	-14,413
Decrease (-) / increase (+) in trade payables and other liabilities	-7,227	16,616
	-22,585	**2,203**
Income taxes paid	-4,135	-4,207
Interest received	374	736
	-3,761	**-3,471**
Cash flow from operating activities	**3,847**	**32,163**
2. Cash flow from investing activities		
Investments (-) / divestments (+) intangible assets	-4,496	-720
Investments (-) / divestments (+) property, plant and equipment	-19,721	-12,365
Investments (-) / divestments (+) financial assets	-5	-162
Investments (-) / divestments (+) of available-for-sale financial assets and securities	-11,913	-977
Cash from disposal of assets	277	213
Acquisition (-) of consolidated companies (less cash and cash equivalents sold/received)	-36,508	0
Cash flow from investing activities	**-72,366**	**-14,011**
3. Cash flow from financing activities		
Aumann IPO and Capital increase (less cost)	276,611	0
Profit distribution to shareholders	-8,036	-3,886
Payments to non-controlling interests	-394	-200
Proceeds from borrowing financial loans	1,517	14,756
Repayments of financial loans	-10,161	-5,082
Payments for finance lease	-211	-837
Interest payments	-1,807	-1,612
Cash flow from financing activities	**257,519**	**3,139**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	189,000	21,291
Effects of changes in foreign exchange rates (non-cash)	-83	17
Cash and cash equivalents at start of reporting period	44,899	23,591
Cash and cash equivalents at end of period	**233,816**	**44,899**
Composition of cash and cash equivalents		
Cash in hand	19	14
Bank balances	233,797	44,885

Reconciliation to liquidity reserve on 31 Dec	2017	201
Cash and cash equivalents at end of period	233,816	44,899
Gold	1,946	1,946
Securities	43,451	30,604
Liquidity reserve on 31 Dec	**279,213**	**77,449**

Statement of changes in consolidated equity

				Retained earnings						
	Issued capital	Capital reserve	Legal reserve	Currency translation difference	Available for sale financial assets	Pension reserve	Generated consolidated equity	Share of shareholders of MBB SE	Non-controlling interests	Consolidated equity
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
1 Jan 2016	**6,587**	**17,480**	**61**	**-593**	**477**	**-2,462**	**60,489**	**82,039**	**5,700**	**87,739**
Dividends paid	0	0	0	0	0	0	-3,886	-3,886	-200	-4,086
Subtotal	**6,587**	**17,480**	**61**	**-593**	**477**	**-2,462**	**56,603**	**78,153**	**5,500**	**83,653**
Amounts recognised in other comprehensive income	0	0	0	0	1,186	-1,457	0	-271	-176	-447
Currency translation difference	0	0	0	-585	0	0	0	-585	-1	-586
Consolidated net profit	0	0	0	0	0	0	14,253	14,253	1,526	15,779
Total comprehensive income	**0**	**0**	**0**	**-585**	**1,186**	**-1,457**	**14,253**	**13,397**	**1,349**	**14,746**
Aumann equity transaction	0	0	0	0	0	0	557	557	-557	0
31 Dec 2016	**6,587**	**17,480**	**61**	**-1,178**	**1,663**	**-3,919**	**71,413**	**92,107**	**6,292**	**98,399**
Dividends paid	0	0	0	0	0	0	-8,036	-8,036	-394	-8,430
Subtotal	**6,587**	**17,480**	**61**	**-1,178**	**1,663**	**-3,919**	**63,377**	**84,071**	**5,898**	**89,969**
Amounts recognised in other comprehensive income	0	0	0	0	977	1,648	0	2,625	-1,959	666
Currency translation difference	0	0	0	1,131	0	0	0	1,131	8	1,139
Consolidated net profit	0	0	0	0	0	0	4,656	4,656	5,585	10,241
Total comprehensive income	**0**	**0**	**0**	**1,131**	**977**	**1,648**	**4,656**	**8,412**	**3,634**	**12,046**
IPO and Equity increase Aumann	0	196,853	0	0	0	0	0	196,853	86,189	283,042
Changes in Non controling interests Hanke	0	0	0	0	0	0	-297	-297	297	0
31 Dec 2017	**6,587**	**214,333**	**61**	**-47**	**2,640**	**-2,271**	**67,736**	**289,039**	**96,018**	**385,057**

Notes to the Consolidated Financial Statements for 2017

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

MBB SE is headquartered at Joachimsthaler Str. 34, 10719 Berlin, Germany. It is entered in the commercial register of the Berlin-Charlottenburg District Court under HRB 165458. MBB SE has been listed since 9 May 2006 and included in the Prime Standard of the Frankfurt Stock Exchange under the securities identification number A0ETBQ since 20 June 2008. It is the parent company of the MBB Group.

MBB SE is a family-owned, medium-sized group that has expanded continuously since its formation through organic growth and company acquisitions. The business model focuses on the sustainable value growth of the individual companies and the Group as a whole.

The consolidated financial statements of MBB SE for the 2017 financial year were approved by the Board of MBB SE on 11 April 2018 and published on 25 April 2018.

1.2 Accounting policies

Due to its admission to the regulated market, MBB SE prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements for the year ended 31 December 2017 are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the EU and effective at the end of the reporting period. The term “IFRS” includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements are supplemented by a combined management report and Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

The company did not apply any accounting standards for the first time or in amended form in the 2017 financial year.

Effects of IFRS 15

The IASB published IFRS 15 “Revenue from Contracts with Customers” in May 2014. Under the new standard, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the customer acquires control of the goods or services. IFRS 15 also contains requirements for the reporting of excess performance or performance obligations at contract level. This refers to assets and liabilities arising from customer contracts dependent on the ratio of the service provided by the company to payment by the customer. In addition, the new standard requires the disclosure of quantitative and qualitative information to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. IFRS 15 replaces IAS 11 “Construction Contracts” and IAS 18 “Revenue” in addition to the associated interpretations. The standard is effective for accounting periods beginning on or after 1 January 2018. Earlier application is permitted. It was endorsed by the EU in September 2016. In April 2016, several clarifications to IFRS 15 were published that primarily concern the identification of separate performance obligations and the distinction between the principal and agent. The amendments were endorsed by the EU in October 2017. MBB SE has not exercised the option of early initial application of IFRS 15, and will instead apply IFRS 15 for the first time for the accounting period beginning on 1 January 2018 (IFRS 15 transition year). Initial application will use the full retrospective method, i.e. any transition effects will be recognised directly in retained earnings cumulatively at the beginning of the comparative period on 1 January 2017. MBB SE is thus utilising the practical expedients permitted by IFRS 15. In this context, it is intended in particular that there will be no remeasurement as at 1 January 2017 of such contracts that began and were completed within the same financial year or that were completed on 1 January 2017. MBB SE is currently examining the possible future impact on the consolidated financial statements. The findings to date as part of the implementation of IFRS 15 have confirmed that there will be no significant impact on the consolidated financial statements of MBB SE. The total amount of revenue recognised for a customer contract will change to only a very limited extent in the 2017 financial year (the comparative prior-year period). By far the majority of construction contracts that are currently accounted for using the percentage-of-completion method satisfy the requirements for revenue recognition over time.

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

Regulation	Title	Publication	Application	Endorsement	Effect
IFRS 9	Financial Instruments	24/09/2014	01/01/2018	22/11/2016	no material effects
IFRS 15	Revenue from Contracts with Customers	28/05/2014	01/01/2018	22/09/2016	no material effects
IFRS 15	Amendments to IFRS 15: Effective date	11/09/2015	01/01/2018	22/12/2016	no material effects
IFRS 15	Clarifications	12/04/2016	01/01/2018	31/10/2017	no material effects
IFRS 16	Leases	13/01/2016	01/01/2019	31/10/2017	is being reviewed
IFRS 2	Share-based Payment Transactions	20/06/2016	01/01/2018	26/02/2018	is being reviewed
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08/12/2016	01/01/2018	24/11/2015	no material effects
IFFRIC 23	Uncertainty over Income Tax Treatments	07/06/2017	01/01/2019	06/11/2017	is being reviewed
	Annual Improvements 2014 - 2016	08/12/2016	01/01/2018	no	no material effects

1.3 Company law changes and structural changes in 2017

Aumann AG was listed on the Frankfurt Stock Exchange on 24 March 2017. 5.98 million shares in total were placed as part of the IPO. 1.5 million of these shares relate to the capital increase approved by the Aumann Annual General Meeting on 15 March 2017 and a further 3.7 million to the shares held by the selling shareholders, 3,459,500 of which by MBB SE. In addition, 780,000 shares – 729,300 of which held by MBB SE – were made available by the selling shareholders for the purpose of a greenshoe option.

MBB SE acquired 100% of shares in USK Karl Utz Sondermaschinen GmbH, Limbach-Oberfrohna, through Aumann AG on 18 October 2017. A residual purchase price liability of €4,467 thousand is included in other liabilities.

USK is a renowned specialist in automation solutions. The company has years of experience in manufacturing automation solutions for leading automotive OEMs and tier 1 suppliers. The company also offers sophisticated special-purpose machinery and production lines in the fields of electronics, renewable energies and medical technology.

The following assets and liabilities were assumed at fair value for a purchase price of €44,673 thousand:

Assets and liabilities USK Karl Utz Sondermaschinen GmbH	€k
Current asstes	
Cash and bank balances	2,025
Receivables and other assets	57,047
Inventories	5,685
Deferred Tax Assets	0
Non-current assets	
Intangible Assets	2,832
Property, plant and equipment	14,243
Current Liabilities	
Trade payables	4,246
Advance payments received	39,877
Interest bearing liabilities	5,000
Other Liabilities	685
Provisions	7,420
Deferred tax assets	1,845
Non-current liabilities	
Liabilities to banks	5,125
Pension provisions	295
Other Liabilities	1,092
Total assets	**16,247**
Acquisition cost	**44,673**
Goodwill	**28,426**

The transaction costs of €388.8 thousand were recognised as an expense and are reported under other operating expenses in the income statement and under cash flow from operating activities in the statement of cash flows.

The goodwill of €28.4 million arising from the purchase price allocation includes expected benefits from synergies and future revenue prospects that do not satisfy the criteria for recognition as intangible assets.

Furthermore, there were fair value adjustments from the realisation of hidden reserves of €4.6 million in the context of the purchase price allocation. €1.8 million of this relates to land and buildings, €0.2 million to technical equipment and machinery and €2.6 million to intangible assets. The acquired margin in the order backlog was capitalised as intangible asset.

Hidden reserves with a definite useful life are written down in accordance with the Group's uniform accounting policies. Earnings were reduced by amortisations on hidden reserves of €538 thousand in the 2017 financial year.

USK has contributed €20.8 million to revenue and €1.9 million to the Group's EBIT since the date of its acquisition. If the business combination had taken place as at 1 January 2017, consolidated revenue would have amounted to €459.2 million and EBIT to €19.2 million. No further effects of the purchase price allocation were taken into account. The Group's uniform accounting policies were applied in determining the Group's pro forma revenue and EBIT.

2. Consolidated group

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

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Subsidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**49.17**
Aumann Beelen GmbH, Beelen, Germany	49.17
Aumann Berlin GmbH, Berlin, Germany	49.17
Aumann Winding and Automation Inc., Kansas City, USA*	49.17
Aumann Espelkamp GmbH, Espelkamp, Germany	49.17
Aumann North America Inc., Fort Wayne, USA	49.17
Aumann Immobilien GmbH, Espelkamp, Germany	49.17
MBB Technologies (China) Ltd. Changzhou, China	49.17
USK Karl Utz Sondermaschinen GmbH, Limbach-Oberfrohna, Germany	49.17
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**76.08**
Blomberger Holzindustrie GmbH , Blomberg, Germany	76.08
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	76.08
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	76.08
Delignit North America Inc., Atlanta, USA	76.08
DHK automotive GmbH, Oberlungwitz, Germany	76.08
HTZ Holztrocknung GmbH, Oberlungwitz, Germany	76.08
DTS IT AG, Herford, Germany	**80.00**
ACoN-IT GmbH, Vienna, Austria	80.00
DTS Systeme GmbH, Herford, Germany	80.00
eld datentechnik GmbH, Herford, Germany	80.00
ICSmedia GmbH, Münster, Germany	80.00
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**95.84**
OBO-Werke GmbH, Stadthagen, Germany	**100.00**

*The company is active since 2017.

3. Principles of consolidation

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

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

3.1 Subsidiaries

Subsidiaries are the companies controlled by MBB SE. A company controls another when there are rights embodying a present ability to control the significant activities of the other entity. Significant activities are those activities affecting the return generated by an entity. Subsidiaries are consolidated from the date on which the parent can control the subsidiary and ends when this is no longer possible.

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

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in profit or loss immediately. The share of the subsidiary's assets, liabilities and contingent liabilities attributable to non-controlling interests is also recognised at fair value. Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenue, income and expenses. Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

3.2 Associated companies

Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% are usually classified as an associated company if MBB has significant influence but does not control them. Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% are consolidated if MBB controls them. This control can arise, for example, from the fact that MBB accounts for the majority of the members of the supervisory board of listed companies or a majority of the attendance at the annual general meeting.

Associated companies are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associated company are added to or deducted from the reported carrying amount of the equity investment. The amount of the loss allocation is limited to the amount of the acquisition cost of the associated company. If the equity investment reports a loss after its carrying amount has been reduced to a pro mem value of €1.00, these losses are recognised in an auxiliary account. For acquisitions of associated companies, the purchase method is applied in the same way. Associated companies that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively.

4. Presentation of accounting policies

4.1 General information

With the exception of the remeasurement of certain financial instruments, the consolidated financial statements were prepared using the historical cost method. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

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

4.2 Reporting currency

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

4.3 Currency translation

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

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

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

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

The assets and liabilities of the foreign operations are translated into euro at the closing rate. Income and expenses are translated at the average exchange rate for the financial year. The resulting exchange differences are recognised as a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition of that foreign operation are translated at the closing rate.

The following exchange rates were applied (for €1.00):

	Closing rate 31 Dec 2017	Average rate 2017
Polish zloty (PLN)	4.1709	4.2583
Chinese renminbi (CNY)	7.8020	7.6829
US-Dollar (USD)	1.1980	1.1778
	Closing rate 31 Dec 2016	**Average rate 2016**
Polish zloty (PLN)	4.4240	4.3637
Chinese renminbi (CNY)	7.3068	7.3545

4.4 Intangible assets

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

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

Costs for research activities are charged as expenses in the period in which they are incurred.

Development costs are capitalised as internally generated intangible assets if all of the following criteria are met:

- Completion of the project is technically feasible.
- The company intends and is able to complete the intangible asset and to use or sell it.
- It is assumed that the intangible asset is likely to generate a future economic benefit.
- In addition, the Group has the technical, financial and other resources to complete the development work and it is possible to reliably determine the expenses directly attributable to the project.

If these criteria are not met, the development costs are expensed in the period in which they are incurred.

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

Apart from goodwill, the Group does not have any intangible assets with indefinite useful lives.

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

Patents are amortised over a useful life of 10 years.

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

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

4.5 Goodwill

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

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

If a subsidiary is sold, the amount of the goodwill attributable to the subsidiary is taken into account in calculating the gain on disposal.

4.6 Property, plant and equipment

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

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

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

Buildings and exterior installations:	10 to 33 years
Technical equipment and machinery:	10 to 12 years
Computer hardware:	3 years
Other office equipment:	5 to 13 years

Land is not depreciated.

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

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

4.7 Leases

Determining whether an arrangement is or contains a lease is based on the economic content of the arrangement and requires an assessment of whether the fulfilment of the contractual arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Assets under finance leases, most of which transfer to the Group all risks and rewards of ownership of the transferred asset, are capitalised at the beginning of the lease term at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. The assets are depreciated.

Lease payments are divided into their components of finance costs and repayment of the lease liability in that the residual carrying amount of the lease liability bears a constant rate of interest. The remaining lease payment obligations as at the end of the reporting period are reported separately in the statement of financial position according to their maturities. Lease payments for operating leases are expensed in the income statement over the term of the lease.

The Group does not act as a lessor.

4.8 Borrowing costs

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

4.9 Impairment of non-financial assets

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

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

4.10 Financial investments and other financial assets

Financial assets as defined in IAS 39 are classified either as financial assets at fair value through profit or loss, as loans and receivables, as held-to-maturity investments or as available-for-sale investments. Financial assets are measured at fair value on initial recognition.

The designation of financial assets to the measurement categories depends on their nature and intended use and takes place on initial recognition. Where permitted and necessary, reclassifications are made at the end of the financial year.

As at 31 December 2017, the Group had extended loans and receivables and available-for-sale financial assets.

All purchases or sales of financial assets under market conditions are recognised on the day of trading, i.e. the day on which the Group entered into a commitment to purchase or sell the asset. Purchases and sales under market conditions are such transactions in financial assets that stipulate the delivery of the assets within a period determined by market regulations or market conventions.

Extended loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired and through the amortisation process.

Available-for-sale financial assets are non-derivative financial assets that are classified as available for sale and do not belong in one of the other three categories. Available-for-sale securities are reported under non-current assets if they are not expected to be sold within a year of addition.

After initial recognition, held-for-sale financial assets are measured at fair value, with gains or losses recognised in a separate item of equity. On the date when the financial investment is derecognised or impairment on the financial investment is ascertained, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Fair value is the 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. The fair value of investments traded on organised markets is calculated by reference to the buying rate quoted on the stock exchange at the end of the reporting period. Market values were available for the available-for-sale financial assets reported by the Group as at 31 December 2017 and 31 December 2016.

Financial assets are tested for impairment at the end of each reporting period. If, for financial assets recognised at amortised cost, it is likely that the company will not be able to recover all amounts of loans, receivables or held-to-maturity investments due to it under the terms of the contract, an impairment loss is recognised on the receivables in profit or loss. The impairment loss is defined as the difference between the carrying amount of the asset and the present value of the expected future cash flows measured using the effective interest method. The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognised in profit or loss. Impairment losses previously recognised as expenses are adjusted in profit or loss if the subsequent partial reversal (or reduction) of the impairment can objectively be attributed to an event occurring after the original impairment. However, reversals are only recognised to the extent that they do not exceed the amount of the amortised cost that would have resulted if no impairment loss had been recognised. The financial asset is derecognised if it is classified as uncollectible.

As in the previous year, the carrying amounts of the financial assets and liabilities are essentially their fair values.

4.11 Inventories

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

4.12 Cash and cash equivalents

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

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

4.13 Financial liabilities

Loans are measured at fair value on initial recognition, including the transaction costs directly associated with taking out the loans. They are not designated as at fair value through profit or loss.

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method, with interest expense recognised in profit or loss in line with the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised and where such gains and losses result from amortisation.

Liabilities from finance leases are expensed at the present value of the minimum lease payments.

Current financial liabilities are recognised at their repayment or settlement amount.

Financial liabilities are derecognised when the Group's corresponding obligations have been settled, cancelled or have expired.

4.14 Provisions

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

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

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

4.15 Pensions and other post-employment benefits

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

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

4.16 Revenue recognition

Revenue is recognised when it is probable that Group will obtain the economic benefits and the amount of the revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or to be received less discounts and rebates granted and value-added tax or other levies. In addition, revenue recognition also requires fulfilment of the recognition criteria listed below.

a) Sale of goods and products, performance of services

Revenue is recognised when the significant risks and rewards of ownership of the goods and products sold have been transferred to the buyer. This generally takes place when the goods and products are delivered or accepted by the end customer. Revenue from service transactions is only recognised when it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. It is recognised in the accounting period in which the services in question are performed.

b) Construction contracts for plant engineering

In the MBB Group, the percentage-of-completion (PoC) method is applied at the companies of Aumann AG in accordance with IAS11. Under this method, when the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with this construction contract are recognised by reference to the degree of completion of the contract activity at the end of the reporting period. The percentage of completion is calculated as the ratio of the contract costs incurred by the end of the reporting period to the total estimated contract costs as at the end of the reporting period (cost-to-cost method). Construction contracts accounted for using the PoC method are recognised as receivables from construction contracts in the amount of the contract costs incurred by the end of the reporting period plus the proportionate profit resulting from the percentage of completion. Changes to contracts, additional amounts invoiced and incentive payments are recognised to the extent that a binding agreement has been concluded with the customer. If the result of a construction contract cannot be reliably estimated, the probable revenue is recognised up to a maximum of the costs incurred. Contract costs are recognised in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected losses are expensed immediately.

c) Interest revenue

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

d) Dividends

Revenue is recognised when the legal right to payment arises.

4.17 Taxes

a) Current income taxes

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

b) Deferred taxes

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

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

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

Tax credits that are dependent on investments are recognised in line with IAS 12. They are not offset against the corresponding investments.

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

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

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

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

4.18 Contingent liabilities and contingent assets

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

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

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

4.19 Government grants

Government grants are recognised as profit or loss on a systematic basis in the periods in which the related expenses are recognised and where it is sufficiently certain that the conditions imposed in connection with the grants will be fulfilled.

The grants received are reported as deferred income in the statement of financial position under liabilities.

4.20 Accounting for expenses of the long-term bonus programme based on the share price triggered by Aumann AG's IPO

In December 2013 MBB SE introduced a long-term bonus programme based on the share price, against payment for management and free of charge for employees, in order to reinforce its long-term investment nature as a family-owned, medium-sized group listed in the Prime Standard of the Frankfurt Stock Exchange. In general, this programme is accounted for in accordance with the regulations of IFRS 2.

The extremely successful IPO of Aumann AG took place on 24 March 2017. The costs directly relating to the IPO were recognised in equity in accordance with IAS 32. In connection with Aumann AG's IPO, the share price of MBB SE increased by more than 120% between the day before the announcement of the IPO and the day after the first day of trading in Aumann AG shares. At MBB SE, this ultimately led to an increase of €8.7 million in obligations under the long-term bonus programme in the 2017 financial year. In the opinion of the company, these are also transaction costs directly attributable to the IPO, which should therefore be recognised in equity. This would be the only way to correctly present the operating performance of the subsidiaries without the effects of the IPO – including in comparison with previous years.

This assessment of the company is supported by an external expert opinion from a renowned university professor for accounting, which can be viewed anytime at MBB SE's offices. It is based on the following reasoning:

In accordance with IAS 32.37, the costs of an equity transaction – such as an IPO – are directly offset against equity under certain conditions. They must therefore be recognised outside profit and loss and must not reduce the result for the year in the income statement as an expense, as there is no direct link between the IPO and the operating activities of the reporting entity. It must be established which costs qualify as transaction costs in connection with the IPO as defined by IAS 32. Specifically, IAS 32.12 refers to IAS 39.9, which defines transaction costs as follows:

"Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument."

According to this, transaction costs are incurred with the IPO, are directly attributable to it and would not have been incurred without it. In accordance with IAS 32.37 in conjunction with IFRS 10.23, this also applies to the consolidated financial statements of a parent company that does not lose control of its subsidiary through the IPO.

On 20 November 2016, the day before the announcement of the IPO, the price of MBB shares was €40.39. As a result of the announcement, its share price rose to €69.65 as at the end of 2016 and €89.24 on 27 March 2017, the first trading day after Aumann's IPO. As the company did not issue any other disclosures in the intervening period, in the opinion of the company, the increase was caused by the IPO, is directly attributable to it and would not have arisen without it. For the 2017 financial year, this means that the increase in the obligation for the long-term bonus programme as a result in the rise of the share price would be classified as IPO costs and therefore recognised within equity. This assessment is supported by the following reasons: Firstly, the list of IPO costs to be recognised within equity is defined broadly in accordance in IAS 32.37 and, secondly, the interpretation of the terms "incremental" and "directly attributable" is at the discretion of the accounting entity, as verified by an opinion of the International Financial Reporting Interpretations Committee (IFRIC). As the relevant literature shows, the interpretation of the terms also does not distinguish between the necessary costs of an IPO and the causal costs of an IPO. This broad interpretation is regularly applied in German, European and international accounting practice, for example in accounting for bank commission in the context of an IPO. Such bank commission usually consists of a non-performance-based fee and an incentive fee, payment of which is solely at the discretion of the company. This incentive fee is paid voluntarily, is therefore not necessary for an IPO, and usually qualifies as a transaction cost.

Moreover, the "overriding principle" of IAS 1.19 also advocates this treatment of the expense of the long-term bonus programme. In the opinion of the company, the recognition of the expense of the bonus programme through profit and loss impairs MBB's result of operations as similar things are being treated differently. The increase in the equity attributable to the shareholders of MBB SE in the IFRS consolidated financial statements due to the IPO and capital increases at Aumann AG of €196.9 million or €29.89 per share is recognised within equity, while the expense of MBB SE's long-term bonus programme is recognised in profit or loss as IPO costs. This results in earnings of €4.7 million or €0.71 per share, which does not give a "true and fair view" on the Group's results of operations in the most successful year in the company's history. Nonetheless, MBB has decided to follow this narrow IFRS interpretation and to recognise the expense of MBB SE's long-term bonus programme in profit or loss. At the same time, however, we have transparently adjusted earnings for the expense of the long-term bonus programme to improve validity. Thus, additionally adjusted for amortisation of the acquired USK order backlog in the course of the PPA, adjusted earnings per share for the 2017 financial year amount to €2.06. The effects of the IPO have been eliminated from this figure and it thus provides a suitable benchmark for the Group's operational performance in comparison to previous years.

5. Material judgements, estimates and assumptions

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

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

a) Impairment of non-financial assets

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

b) Pensions and other post-employment benefits

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

c) Provisions

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

d) Deferred tax assets

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

e) Recognition of contract revenue

The majority of the transactions conducted by Aumann AG's subsidiaries take the form of construction contracts that are recognised using the percentage-of-completion method, meaning that revenue is recognised in accordance with the degree of completion of the respective contract. This method requires an estimate of the percentage of completion. Depending on the method applied in determining the degree of completion, the material estimates comprise the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary.

f) Accounting for gold reserves

MBB SE owns physical gold reserves that are held as a liquidity reserve and reported in total liquidity. Despite containing a wide range of regulations, IFRSs do not provide conclusive guidance on accounting for gold reserves. Gold reserves cannot be accounted for in accordance with IAS 2, as they are not held for use in a production process. Accounting in accordance with IAS 39 is problematic as gold does not meet the definition of a financial asset as set out in IAS 32.11, and hence does not fall within the scope of IAS 39. None of the other IFRSs are relevant.

As such, there is a gap in the IFRS regulation when it comes to accounting for physical gold reserves that the MBB Group seeks to close by applying the provisions of IAS 39 analogously. Physical gold reserves are measured at fair value on initial recognition. In subsequent periods, gold reserves are classified as available-for-sale financial assets and changes in value are taken directly to equity in other comprehensive income.

g) Consolidation of Aumann AG

In the course of the capital increase at Aumann AG in December 2017, MBB SE's share in Aumann AG was reduced from 53.56% to 49.17%. Despite the reduced shareholding, Aumann AG is still consolidated as a subsidiary in the consolidated financial statements of MBB SE.

Given MBB SE's majority in Aumann AG's Supervisory Board, the Rules of Procedure for the Managing Board of Aumann AG and the expected majority of voting rights at the Aumann AG Annual General Meeting, the criterion of control in accordance with IFRS 10 is still satisfied.

II. Notes to the consolidated statement of financial position

1. Non-current assets

The development of intangible assets and property, plant and equipment is shown in the following statement of changes in non-current assets.

1.1 Statement of changes in non-current assets of the MBB Group as at 31 December 2017

31 Dec 2017	Total cost €k	Additions in the financial year €k	Additions from first time con-solidation €k	Reclassi-fication €k	Disposals in the financial year €k	Exchange differences €k	Write downs (full amount) €k	Carrying mount at the end of financial year €k	Carrying mount at the end of previous year €k	Write downs in the financial year €k	Disposals of write downs €k	Exchange differences €k
I. Intangible assets												
1.	761	3,312	0	0	0	0	425	3,648	448	112	0	0
2. Concessions, industrial property rights and similar rights	11,341	1,062	2,832	0	1	1	8,746	6,489	4,471	1,872	1	5
3. Goodwill	13,701	0	28,426	0	0	0	1,827	40,300	11,874	0	0	0
4. Advance payments	0	122	0	0	0	0	0	122	0	0	0	0
	25,803	**4,496**	**31,258**	**0**	**1**	**1**	**10,998**	**50,559**	**16,793**	**1,984**	**1**	**5**
II. Property, plant												
1. Land and buildings including buildings on third-party land	46,366	4,722	10,796	0	97	669	13,376	49,080	34,555	1,529	34	70
2. Technical equipment and machinery	50,786	5,625	2,354	13	116	1,543	36,285	23,920	19,540	4,118	19	940
3. Other equipment, operating and office equipment	19,952	4,644	920	351	326	60	17,026	8,575	5,510	2,797	256	43
4. Advance payments and assets under development	4,806	5,038	173	-364	0	142	0	9,795	4,806	0	0	0
	121,910	**20,029**	**14,243**	**0**	**539**	**2,414**	**66,687**	**91,370**	**64,411**	**8,444**	**309**	**1,053**
Total	**147,713**	**24,525**	**45,501**	**0**	**540**	**2,415**	**77,685**	**141,929**	**81,204**	**10,428**	**310**	**1,058**

1.2 Statement of changes in non-current assets of the MBB Group as at 31 December 2016

31 Dec 2016	Total cost €k	Additions in the financial year €k	Additions from first time con-solidation €k	Reclassi-fication €k	Disposals in the financial year €k	Exchange differences €k	Write downs (full amount) €k	Carrying mount at the end of financial year €k	Carrying mount at the end of previous year €k	Write downs in the financial year €k	Disposals of write downs €k	Exchange differences €k
I. Intangible assets												
1. Goodwill industrial property rights and similar rights	10,924	649	0	226	2	-8	6,870	4,919	5,606	1,559	2	-5
2. Goodwill	13,701	0	0	0	0	0	1,827	11,874	11,874	0	0	0
3. Advance payments	153	73	0	-226	0	0	0	0	153	0	0	0
	24,778	**722**	**0**	**0**	**2**	**-8**	**8,697**	**16,793**	**17,633**	**1,559**	**2**	**-5**
II. Property, plant												
1. Land and buildings including buildings on third-party land	42,101	4,488	0	265	120	-368	11,811	34,555	31,406	1,283	120	-47
2. Technical equipment and machinery	48,171	2,965	0	674	76	-948	31,246	19,540	19,442	3,117	67	-533
3. Other equipment, operating and office equipment	17,008	3,022	0	212	251	-39	14,442	5,510	4,424	2,054	168	-28
4. Advance payments and assets under development	3,260	2,789	0	-1,151	0	-92	0	4,806	3,260	0	0	0
	110,540	**13,264**	**0**	**0**	**447**	**-1,447**	**57,499**	**64,411**	**58,532**	**6,454**	**355**	**-608**
Total	**135,318**	**13,986**	**0**	**0**	**449**	**-1,455**	**66,196**	**81,204**	**76,165**	**8,013**	**357**	**-613**

2. Goodwill

The goodwill reported as at the end of the reporting period of €28,426 thousand results from the acquisition of USK Karl Utz Sondermaschinen GmbH (see note I.1.3), which is assigned to the Technical Applications segment. Goodwill of €10,057.5 thousand from the acquisition of Aumann Espelkamp GmbH, Aumann Berlin GmbH and Aumann Immobilien GmbH in 2015 is also assigned to the Technical Applications segment.

Furthermore, there is goodwill of €636.7 thousand from the acquisition of Hanke Tissue Sp. z o.o., Kostrzyn, Poland, (Industrial Production segment) and of €1,179.8 thousand from the acquisition of the DTS Group (Trade & Services segment).

The goodwill of the cash-generating units (CGUs) was tested for impairment; however, this did not identify the need to recognise any impairment losses. The CGUs were Hanke Tissue Sp. z o.o., DTS Systeme GmbH and the Aumann companies acquired in 2015. Following its acquisition in October 2017, there was no impairment testing of USK Karl Utz Sondermaschinen GmbH as at the end of the year.

The impairment tests to determine the recoverable amount were based on the value in use of the CGUs, which was calculated using forecast revenue based on a five-year plan. The calculation of the budget figures took into account current and future probabilities, the expected economic development and other circumstances.

A growth rate of 20% for the next three years has been assumed for the Aumann CGU.

A growth rate of 10% was assumed for the Hanke Tissue CGU on the basis of past experience and the increased production capacity.

For the DTS Systeme GmbH CGU, earnings growth of 20% was applied in the growth phase. This assumption was based on the average growth over the past five years and the fact that DTS operates in the market for cloud and security services, which offers substantial growth potential.

For the standard year (perpetuals), the budget figures from the previous planning year were used for the CGUs. A conservative interest rate of 12% was applied as the discount rate (as in the previous year). As a cautionary measure, possible growth in the standard year was not taken into account.

The impairment tests did not lead to any impairment in the cash-generating units. In the opinion of the Executive Management, the changes in the basic assumptions that are reasonably conceivable would not result in the respective carrying amount exceeding the recoverable amount of the respective CGU.

3. Intangible assets

Please see the statement of changes in non-current assets for information on the development of intangible assets. Among other things, intangible assets include capitalised development costs of €3,648 thousand (previous year: €448 thousand), which are amortised over a period of ten years.

4. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. Borrowing costs of €18.7 thousand were recognised for qualifying assets in the year under review (previous year: €38.0 thousand). A weighted average cost of capital of 3.1% was assumed.

5. Inventories

	31 Dec 2017 €k	31 Dec 2016 €k
Raw materials and supplies	13,194	8,505
Work in progress	6,722	4,078
Finished goods and commodities	12,328	11,051
Advance payments	3,241	2,137
Carrying amount as at 31 Dec	**35,485**	**25,771**

Impairment losses of €653 thousand were recognised on inventories in the period under review (previous year: €649 thousand). Impairment losses on inventories were reversed in the amount of €20 thousand (previous year: €86 thousand).

6. Trade receivables

	31 Dec 2017 €k	31 Dec 2016 €k
Trade receivables	45,473	26,003
Less specific valuation allowances	-536	-484
Carrying amount as at 31 Dec	**44,937**	**25,519**

The trade receivables shown are allocated to the loans and receivables category and measured at amortised cost.

The trade receivables are all due within one year. The trade receivables are subject to specific valuation allowances where required. Indications of impairment include unpaid cash receipts and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk.

Receivables from construction contracts recognised in accordance with the PoC method break down as follows:

	31 Dec 2017 €k	31 Dec 2016 €k
Construction costs incurred		
plus (less) recognised profits (losses)	351,632	102,545
Progress billings	-268,541	-62,885
Net total		
Amounts due from customers from construction contracts	83,091	39,660
Amounts due to customers from construction contracts	0	0

The rise in receivables from construction contracts results from the strong growth of the Aumann companies, reporting date effects and the acquisition of USK.

7. Other current assets

Other assets maturing within one year break down as follows:

	31 Dec 2017 €k	31 Dec 2016 €k
Tax receivables	7,851	1,447
Factoring receivables	3,960	4,921
Damage compensation	1,593	0
Prepaid expenses	1,349	780
Other current assets	1,143	584
Carrying amount as at 31 Dec	**15,896**	**7,732**

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €5,525.5 thousand (previous year: €1,217.3 thousand) and input tax refunds of €2,325.4 thousand (previous year: €229.4 thousand). The decline in factoring receivables is due to an unusually high figure for the previous year. The claim for damages results from the delivery of defective raw materials by a supplier of CT Formpolster and was regulated at the beginning of 2018. The increase in prepaid expenses is essentially due to the acquisition of USK.

8. Available-for-sale financial assets

The available-for-sale financial assets of the MBB Group comprise physical gold reserves and securities. The value of the physical gold reserves was €1,931 thousand (previous year: €1,946 thousand). The reduction of €15 thousand is due to fair value measurement as at 31 December 2017.

Of the available-for-sale securities, shares and bonds totalling €43,466 thousand (previous year: €30,604 thousand), €37,621 thousand (previous year: €21,925 thousand) were reported under non-current assets and €5,845 thousand (previous year: €8,679 thousand) under current assets. In the year under review, write-downs were recognised on shares in the amount of €91 thousand (previous year: €0 thousand) and bonds in the amount of €26 thousand (previous year: €3 thousand). This was offset by income from securities in the amount of €3,500 thousand (previous year: €2,590 thousand), which is reported in other operating income.

9. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2017 and 31 December 2016.

	31 Dec 2017 €k	31 Dec 2016 €k
Deferred tax assets	17,376	8,236
Deferred tax liabilities	-13,953	-3,663
Total	**3,388**	**4,573**

	31 Dec 2017 €k	31 Dec 2016 €k
Temporary differences from:		
Unused tax losses	7,396	2,569
Provisions for pensions	4,102	1,265
Special economic zone tax benefits	4,053	4,238
Provisions	1,639	164
Property, plant and equipment	118	0
Other current assets	35	0
Liabilities	23	0
Securities	10	0
Deferred tax assets	**17,376**	**8,236**

	31 Dec 2017 €k	31 Dec 2016 €k
Temporary differences from:		
Receivables	9,428	1,127
Intangible assets	1,786	845
Property, plant and equipment	1,779	1,654
Other current assets	780	0
Provisions	180	37
Deferred tax liabilities	**13,953**	**3,663**

The tax benefit from the Special Economic Zone reported in deferred tax assets relates to Hanke Tissue Sp. z o.o. in the Kostrzyn Special Economic Zone in Poland. The Special Economic Zone promotes investments and the creation of jobs by allowing up to 50% of the investment volume to be offset against the income tax due on income generated in the Special Economic Zone.

After netting deferred tax assets against deferred tax liabilities relating to the same tax authorities, there remain deferred tax assets of €9,772 thousand and deferred tax liabilities of €6,384 thousand.

10. Equity

Please see the "Statement of changes in consolidated equity for 2017" for information on the development of equity.

10.1 Share capital

MBB SE's share capital amounts to €6,600,000 and is fully paid in. It is divided into 6,600,000 no-par value bearer shares.

In the 2006 financial year, the share capital was increased by €4,838,000 as a result of a capital increase from capital reserves and by another €1,600,000 through the issue of new shares, resulting in a total increase from €162,000 to €6,600,000.

The Annual General Meeting on 17 June 2013 resolved to authorise the Managing Board to purchase and sell treasury shares corresponding to up to 10% of the share capital on the stock exchange in the period from 18 June 2013 to 16 June 2018. MBB had resolved to utilise this authorisation on 10 March 2015. As part of a share buy-back programme, 13,225 treasury shares with a total value of €311,330.86 were purchased on the stock exchange via a bank in the period from 18 March to 7 May 2015. In accordance with section 71b AktG, these shares do not carry voting or dividend rights and serve to reduce the number of shares that do carry voting and dividend rights.

The Annual General Meeting on 30 June 2015 authorised the Board of MBB SE to increase the company's share capital on one or more occasions by a total of up to €3,300,000 in the period until 29 June 2020 by issuing new no-par value bearer shares in exchange for cash or non-cash contributions (Authorised Capital 2015/I).

The Annual General Meeting on 30 June 2016 resolved Contingent Capital 2016/I, which was entered in the commercial register on 19 August 2016. The Board was thus authorised to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of 10 years in the period until 29 June 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000. The company's share capital is contingently increased by up to €3,300,000 (Contingent Capital 2016/I). The purpose of this contingent capital increase is to issue shares to the creditors of convertible bonds or bonds with warrants. It is permitted to implement the contingent capital increase only to the extent that the creditors have exercised their conversion right or are subject to a conversion obligation.

The individual shareholdings of MBB SE are as follows:

	31 Dec 2017		31 Dec 2016	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH	2,139,500	*32.417*	2,339,500	*35.447*
MBB Capital GmbH	2,139,500	*32.417*	2,339,500	*35.447*
Allianz Global Investors Europe GmbH*	316,701	*4.799*	316,701	*4.799*
Anton Breitkopf	46,279	*0.701*	76,279	*1.156*
Dr Peter Niggemann	40,000	*0.606*	40,000	*0.606*
Treasury shares	13,225	*0.200*	13,225	*0.200*
Others	1,904,795	*28.861*	1,474,795	*22.345*
Total	**6,600,000**	**100**	**6,600,000**	**100**

* In accordance with the voting rights notification dated 4 July 2014.

Sycomore Asset Management notified the company on 13 June 2017 that it holds 4.02% of the voting rights. According to the notification of 17 August 2017, it has since fallen back below the reporting threshold.

The shares in MBB Capital Management GmbH are held by Dr Christof Nesemeier, while the shares in MBB Capital GmbH are held by Mr Gert-Maria Freimuth.

On 12 June 2017, MBB Capital Management GmbH and MBB Capital GmbH each sold 200,000 shares (3.03% of their holdings) to institutional investors in order to increase the free float and the probability of inclusion in the SDAX.

10.2 Capital reserves

Capital reserves amounted to €214,333 thousand (previous year: €17,480 thousand). The capital reserves originally resulted from the premium received by the company from the issue of new shares in 2006. Capital reserves increased by €3.4 million in 2014 as a result of the sale of treasury shares to an institutional investor, and in 2015 capital reserves decreased by €299 thousand as a result of the acquisition of treasury shares.

The capital reserves were increased by €196.9 million as a result of the IPO of Aumann AG on 24 March 2017 and its capital increase on 4 December 2017. In the context of these capital measures, bank commission of €11.8 million, bonuses for the management of MBB SE of €13.9 million, bonuses for the management of Aumann AG of €12.5 million and other costs of €4.1 million (all before offsetting deferred taxes) were offset directly against equity. The Group's gross issue proceeds amounted to €318.9 million.

10.3 Legal reserve

5% of the parent company's net profit for 2006 was transferred to the legal reserves.

10.4 Retained earnings

Difference in equity due to currency conversion

The difference in equity due to currency conversion results from conversion in line with the modified closing rate method.

The difference arises from the conversion of items of the income statements of subsidiaries that prepared their accounts in a foreign currency at the average rate and conversion of the statement of financial position items at the closing rate on the one hand, and the conversion of the equity of the respective subsidiaries at the historical rate on first-time consolidation on the other.

Reserve for available-for-sale financial assets

The reserves for available-for-sale financial assets result from cumulative gains or losses from the remeasurement of available-for-sale financial assets. These are recognised in the statement of comprehensive income under other income.

Reserve for pensions

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

Reserve for generated consolidated equity

This item comprises the gains generated by the Group less distributed profits. A dividend of €0.61 per share and a special dividend of the same amount, €8,035.9 thousand in total, was paid to the shareholders on 28 June 2017.

10.5 Non-controlling interests

Non-controlling interests in the MBB Group result from the equity interests in Aumann AG, Delignit AG, DTS IT AG and Hanke Tissue Sp. z o.o.

Non-controlling interests were increased by €86.2 million in the 2017 financial year as a result of the capital measures (IPO in March and capital increase in December) at Aumann AG.

The Managing Director of Hanke Tissue Sp. Z o.o. participates in the company's appreciation in the form of a long-term incentive. Accordingly, shares in the company in the amount of €304.0 thousand (1.16%) were transferred to him in the past financial year, with the result that he now holds 4.16% in the company. This is reported under non-controlling interests.

11. Provisions for pensions and similar obligations

Given the business model of MBB SE, employees' claims to post-employment benefits are not governed at Group level. Regulations on pensions are determined at the level of the individual subsidiaries, resulting in different works agreements. What all pension obligations have in common is that the claim arises even if there is also a claim to the statutory pension. There are pension obligations for Blomberger Holzindustrie GmbH, CT Formpolster GmbH, Aumann Beelen GmbH and arising from the acquisition of USK Karl Utz Sondermaschinen GmbH. The pension agreements are closed, meaning that no further occupational pension agreements are entered into for new appointments.

	31 Dec 2017 €k	31 Dec 2016 €k
Pension provisions at beginning of the financial year	**24,413**	**22,099**
Addition through company acquisition	853	0
Utilisation	-733	-724
Addition to provisions (service cost)	532	257
Addition to provisions (interest cost)	395	503
Actuarial gains (-) /losses (+)	-908	2,278
Pension provisions at end of the financial year	**24,552**	**24,413**
- Plan assets	577	10
Pension provision recognised in the balance sheet	**23,975**	**24,403**

The following actuarial assumptions were applied:

	2017	2016
Actuarial interest rate	1.40 - 1.82%	1.00 - 1.70%
Salary trend	0.00 - 3.00%	0.00 - 3.00%
Pension trend	1.00 - 2.00%	1.00 - 2.00%

The post-employment benefit plans are unfunded. The liabilities are equal to the obligation (DBO).

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

	31 Dec 2017 €k	31 Dec 2016 €k
Addition to provisions (service cost)	-532	-257
Addition to provisions (interest cost)	-395	-503
Total	**-927**	**-760**

The expected pension payments from the pension plans for 2018 amount to €0.7 thousand.

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	0.5%	- 9.6%	+ 11.9%
Pension growth rate	0.5%	+ 6.9%	- 6.2%
Life expectancy	+ 1 year	+ 3.5%	-

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

12. Liabilities

Liabilities have the following maturities:

31 Dec 2017	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	13,511	26,758	13,056	53,325
Trade payables	43,333	51	0	43,384
Advance payments received	28,741	0	0	28,741
Provisions with the nature of a liability	20,091	0	0	20,091
Other liabilities	13,292	7,406	0	20,698
As at 31 Dec 2017	**118,968**	**34,215**	**13,056**	**166,239**

31 Dec 2016	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	18,904	21,181	11,759	51,844
Trade payables	28,352	165	0	28,517
Provisions with the nature of a liability	14,740	0	0	14,740
Other liabilities	14,539	0	0	14,539
Advance payments received	6,838	2,880	0	9,718
As at 31 Dec 2016	**83,373**	**24,226**	**11,759**	**119,358**

Liabilities to banks have both fixed and floating interest rates of between 0.83% and 5.60% (previous year: 0.83% and 6.25%). The interest rate of 5.60% was exclusively incurred for brief overdrafts in China. The weighted average interest rate for 2017 is 1.87% (previous year: 2.4%).

Land and buildings, technical equipment, machinery, inventories and receivables were pledged as collateral. The carrying amount of the pledged assets was €45,865 thousand (previous year: €34,446 thousand) as at the end of the reporting period, €41.3 million of which relates to property, plant and equipment and €4.5 million of which to inventories.

13. Other liabilities

Other liabilities are composed as follows:

	31 Dec 2017 €k	31 Dec 2016 €k
Current		
Value added tax	4,781	1,752
Leasing obligations	2,191	943
Wages and salaries	1,636	827
Wage tax	1,189	1,137
Liability from capital tax	791	0
Commissions	596	665
Social security benefits	506	337
Deferred Liability	397	0
Consulting and Board	310	241
Bonus	259	30
Debtors with credit balances	223	452
Investment grant received	3	52
Miscellaneous	410	402
	13,292	**6,838**
Non-current		
Purchase price USK	4,467	0
Lease obligations	1,671	2,505
Investment grant received	1,066	0
Support funds	202	218
Bonus	0	157
	7,406	**2,880**
Total	**20,698**	**9,718**

14. Provisions

14.1 Other provisions

Other non-current and current provisions as well as provisions with the nature of a liability are composed as follows:

	31 Dec 2016 €k	First-time consoli-dation €k	Utili-sation €k	Re-versal €k	Addition €k	31 Dec 2017 €k
Long term Provisions						
Bonus programme	4,410	0	2,975	0	6,317	7,752
Partial retirement	1,039	0	400	0	280	919
Anniversaries	375	0	18	92	10	275
Death grants	14	0	8	0	7	13
	5,838	**0**	**3,401**	**92**	**6,614**	**8,959**
Accruals and short term provisions						
Project completion costs	8,721	1,926	5,090	3,587	8,223	10,193
Variable salary and commission	3,102	1,109	2,986	109	5,104	6,220
Outstanding invoices	4,881	0	4,222	99	5,577	6,137
Warranty costs	2,708	434	813	1,333	3,359	4,355
Staff costs	2,526	1,059	2,868	0	2,832	3,549
Holiday	2,718	228	2,156	0	2,317	3,107
Provision for onerous contracts	724	2,314	1,275	8	784	2,539
Accounting and audit costs	380	32	371	5	437	473
Reduction inearnings	196	0	135	58	195	198
Employers' liability insurance association	180	54	204	8	172	194
Flexitime	31	0	31	0	178	178
Contractural penalty	83	0	73	0	0	10
Miscellaneous	250	264	125	0	132	521
	26,500	**7,420**	**20,349**	**5,207**	**29,310**	**37,674**
	32,338	**7,420**	**23,750**	**5,299**	**35,924**	**46,633**

The provision for subsequent costs relates to various projects at Aumann Group that are already complete and for which the final invoice has been issued, but which are still subject to costs for follow-up work and fault remediation.

The bonus programme for Executive Management is described under VII.2. Executive body remuneration.

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

14.2 Tax provisions

Tax provisions break down as follows:

	31 Dec 2017 €k	31 Dec 2016 €k
Trade income tax	1,853	1,847
Corporate income tax	1,178	1,004
Carrying amount as at 31 Dec.	**3,031**	**2,851**

15. Lease and rental obligations

15.1 Operating leases and rent

	31 Dec 2017 €k	31 Dec 2016 €k
As at the balance sheet date, the Group has outstanding obligations from non-cancellable operating leases that are due as follows:		
Up to one year	992	771
More than one year and up to five years	996	1,362
Over five years	0	0
	1,988	**2,133**
As at the balance sheet date, the Group has outstanding obligations from rent due as follows:		
Up to one year	1,684	1,566
More than one year and up to five years	1,654	1,790
Over five years	142	331
	3,480	**3,687**
Expenses during review-period from operating leases and rent	2,930	2,307

The minimum lease payments from operating leases essentially relate to the use of cars. The leases are entered into with an average term of 36 months.

15.2 Finance leases

The MBB Group leases certain technical equipment and machinery, as well as operating and office equipment, under finance leases. Under these leases, the Group predominantly has the option to acquire the assets at the end of the lease.

The following assets are used under finance leases:

	2017 €k	2016 €k
Technical equipment and machinery		
Cost on 1 Jan	7,762	5,168
Additions	308	2,594
Disposals	-6	0
Cost on 31 Dec	**8,064**	**7,762**
Write-downs on 1 Jan	-3,924	-3,557
Additions	-1,019	-367
Disposals	0	0
Write-downs on 31 Dec	**-4,943**	**-3,924**
Carrying amount as at 31 Dec	**3,121**	**3,838**
Operating and office equipment		
Cost on 1 Jan	394	329
Additions	0	65
Disposals	0	0
Cost on 31 Dec	**394**	**394**
Write-downs on 1 Jan	-275	-212
Additions	-53	-63
Disposals	0	0
Write-downs on 31 Dec	**-328**	**-275**
Carrying amount as at 31 Dec	**66**	**119**

The future minimum lease payments for the finance leases described above break down as follows:

	up to 1 year €k	between 1 and 5 years €k	More than 5 years €k
Lease payments	2,222	1,694	0
Discounts	31	23	0
Present values	**2,191**	**1,671**	**0**

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €403.1 million in the 2017 financial year (previous year: €332.2 million). €200.9 million (previous year: €154.4 million) or revenue relates to the application of the PoC method at the MBB Group.

Revenue development is discussed in the management report. Segment reporting for revenue is structured primarily by business segment and secondly by geographic segment.

2. Other operating income

	2017 €k	2016 €k
Income from		
sale of securities	3,500	2,590
own work capitalised	3,408	207
insurance compensations	1,791	207
the reversal of provisions	1,107	525
exchange rate gains	442	153
sale of fixed assets	277	213
the reversal of valuation allowances on receivables	156	87
other periods	61	43
government grants	47	54
Miscellaneous	691	514
Total	**11,480**	**4,593**

3. Other operating expenses

	2017 €k	2016 €k
Maintenance expenses	5,389	3,796
Travel costs/vehicle costs	3,301	2,341
Rental agreements and leasing	2,973	2,427
Other services	2,380	2,105
Legal and consulting	2,044	1,492
Advertising costs	1,105	869
Expenses from securities transactions	1,088	692
Insurance	879	856
Costs for telephone, post and data communication	677	630
Loss of receivables and bad debt allowances	603	254
Incidental costs for monetary transactions	484	440
Contributions and fees	436	375
Foreign currency losses	415	578
Office supplies	385	298
Training	295	223
Warranty expenses	111	26
Expenses from the disposal of non-current assets	80	43
Previous periods	15	144
Miscellaneous	2,293	1,557
Total	**24,953**	**19,146**

4. Finance income

	2017 €k	2016 €k
Interest and similar income from securities transactions	279	645
Other interest and similar income	95	91
Total	**374**	**736**

5. Finance costs

	2017 €k	2016 €k
Bank interest	1,299	1,119
Interest expense from pension	410	503
Bank guarantees commissions	359	289
Other interest and similar expenses	111	187
Interest expense from finance leasing	16	17
Total	**2,195**	**2,115**

6. Taxes

Details on deferred tax assets and liabilities can be found under I.4.17 b) “Deferred taxes”. In recognising deferred taxes, an income tax rate of 30% is applied as the basis for German subsidiaries, while the future local tax rate is applied for foreign subsidiaries. The income tax rate is 19% in Poland and 25% in China.

The reconciliation of income tax expense and the accounting net profit multiplied by the Group’s applicable tax rate for the 2017 and 2016 financial years is as follows:

	2017 €k	2016 €k
Corporate income tax	1,321	2,889
Trade income tax	842	2,542
Deferred taxes	5,044	-630
Total	**7,207**	**4,801**

	2017 €k	2016 €k
Consolidated income before taxes and minority interests	17,448	20,580
Income taxes	7,207	4,801
Current tax rate	**41.3%**	**23.3%**

	2017 €k	2016 €k
Earnings before taxes (EBT)	17,863	20,960
Other taxes	-415	-380
Applicable (statutory) tax rate	30.0%	30.0%
Expected tax expense	**7,761**	**6,174**
Differences from foreign tax rates and special tax schemes	-124	-768
Income from the sale of securities	-748	-600
Unused defered tax losses	2,617	0
Other tax effects	228	-5
Current tax expense	**7,207**	**4,801**

7. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to the holders of shares in the parent company by the weighted average number of shares outstanding during the year.

	2017	2016
Result attributable to the holders of shares in the parent company before adjustments (in €)	4,656,011	14,252,705
Weighted average number of shares to calculate the earnings per share	6,586,775	6,586,775
Earnings per share (in €)	**0.71**	**2.16**
Adjusted Earnings per share (in €)	**2.06**	**-**

IV. Segment reporting

1. Information by segment

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

Technical Applications

This segment contains those subsidiaries whose business model reflects customer-specific requirements to a large extent and where the expertise and consulting sold along with the product constitute a significant portion of the work performed. The segment consists of the companies of the Delignit Group and the Aumann Group.

The Aumann Group is a world-leading manufacturer of innovative speciality machinery and automated production lines with a focus on e-mobility. The company combines unique winding technology for the highly efficient production of electric motors with decades of automation experience, particularly in the automotive industry. Leading companies around the world rely on Aumann solutions for the series production of purely electric and hybrid vehicle drives, and for solutions for production automation. In Germany, the Aumann Group has locations in Beelen, Espelkamp, Limbach-Oberfrohna and Berlin. It has also a location in Changzhou (China) since June 2013. The main aim of the location in China is to offer the local manufacturing and servicing of systems for Chinese production sites to customers of the German Aumann companies. In addition, the company serves Asian customers that are not part of the German Aumann companies' customer base but that require technologically advanced system solutions for manufacturing high-quality products. There is also a sales and service site in Kansas City (USA).

The energy transition towards more electromobility is a central issue in the public debate. The market has been experiencing massive growth momentum since almost all vehicle manufacturers have decided to focus their development on electric vehicles and announced billion-euro investment programmes. The combination of superior winding technology and decades of automation expertise gives Aumann a significant opportunity to benefit from this momentum. To assist in this development, Aumann AG went public in March 2017 and has since been listed in the Prime Standard of Deutsche Börse. Aumann has also been included in Deutsche Börse's TecDAX selection index since March 2018.

Aumann's project pipeline has never been as full as it is today. The company is one of the very few market participants capable of offering highly automated production lines for the full assembly and production of all key traction engine components from a single source: battery module, battery tray, fuel cell, rotor and stator with various winding technologies or alternative manufacturing methods. In addition, Aumann naturally also offers special-purpose machinery and automated lines for the production of drive components for combustion engines and light-weight components that allow the OEMs that use these components to reduce the CO_2 emissions of their fleet. The Aumann Group's offering also comprises assembly and logistics solutions for consumer electronics, transport equipment for the aerospace industry and specific solutions for other sectors.

In 2017 the Aumann Group increased its external revenue by 34.8% to €210.4 million (previous year: €156.0 million), thereby accounting for 52.2% (previous year: 47.0%) of MBB SE's consolidated revenue. On an annualised basis, Aumann would have achieved revenue of even more than €260 million in the past year. Order intake for the year as a whole rose by 48.5% to €282.3 million, while the order backlog was 54.4% higher year-on-year at €204.2 million as at the end of the year. On this basis, Aumann is forecasting further very strong growth in 2018.

The Delignit Group, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. It is a recognised development and project partner and series supplier for technology industries such as the automotive, aviation and rail sectors. The products have special technical properties and are used in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology, among other things. The Delignit material is generally based on beech wood and is lifecycle carbon-neutral, making it ecologically superior to non-regenerative materials such as plastic or steel. Since 2013 Delignit has been strengthened by the addition of DHK automotive GmbH and HTZ Holztrocknung GmbH, both of which are domiciled in Oberlungwitz. Furthermore, Delignit North America Inc. was founded in 2017 to leverage growth opportunities in the NAFTA region.

After entering into two major series production contracts for the automotive industry in 2016 that will form the foundation for the next decade, Delignit invested in the necessary structures and capacity to meet these growth challenges in 2017.

Delignit accounted for 13.1% of the MBB Group's revenue in the 2017 financial year after 14.6% in the 2016 financial year. The Delignit Group's external revenue increased by 8.5%, from €48.6 million in 2016 to €52.7 million in 2017.

Industrial Production

The Industrial Production segment contains all subsidiaries whose strengths are concentrated on the industrial manufacture of their products and whose products are relatively standardised. Accordingly, this segment contains the subsidiaries Hanke, CT Formpolster and OBO.

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of "aha", the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and coloured tissue paper for various private labels in Europe. The centrepiece of these activities is the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired by MBB SE in 2006.

Since being acquired by MBB SE, Hanke has invested significantly in its machinery and buildings, allowing it to achieve steady growth and expand its market position to become one of the most profitable companies in the MBB Group in relation to revenue. Almost every square meter of the company's headquarters in Kostrzyn has since been developed. The new logistics space created in 2017 ensures that the increased production volume of the two paper machines and the growing conversion capacity gets to our customers on time.

Hanke contributed €44.5 million, approximately 11.0%, to consolidated revenue in 2017, marking year-on-year growth of 20.5%.

CT Formpolster GmbH manufactures flexible polyether foams and is growing by expanding the degree of its vertical integration. As mattresses are increasingly finding their way to the end customer via online retailers, CT Formpolster has recently developed from a foam producer into a one-stop shop for mattresses. As part of this digital upheaval in the mattress industry, many providers are looking for innovative offers to meet changing customer expectations. CT Formpolster has long been producing high quality foams for this. However, what is increasingly setting the company apart from its competitors is the expertise needed to design and produce complete customer products, including mattress covers, in series. Having established this, the logistics capability to deliver mattresses directly to consumers within a few hours or days in compact boxes is at least just as important.

This development also entails the full utilisation of a completely new site, which uses highly automated processes on 12,000 m² and has increased capacity to more than 1,000 mattresses per day.

Despite a supplier-related roughly two-week stop in production, CT Formpolster has grown by 10.4% year-on-year with external revenue of €29.8 million (2016: €27.0 million). It contributes 7.4% (2016: 8.1%) to the Group's total revenue.

OBO is a global provider of polyurethane and epoxy resin-based materials for tooling applications. With a market share of around 7%, it is one of the leading providers in the industry. OBO has been part of the MBB Group since 2003. It primarily supplies intermediaries, as well as model builders, auto manufacturers, foundries and other processing companies directly. OBO has developed positively in recent years. Its growth is due to the acquisition of the European tooling, block and paste area of its long-term partner Huntsman Advanced Materials in 2014 on the one hand and, on the other, the expansion of its PU board business.

The subsidiary contributed 5.0% to the MBB Group's total revenue in 2017 (2016: 5.9%). External revenue amounted to €20.2 million in the 2017 financial year, up 3.1% on the previous year (2016: €19.6 million).

Trade & Services

The Trade & Services segment comprises the DTS Group, which consists of companies that provide specialist services or engage in retail business. The DTS Group is focused on IT security and cloud services. In IT security, DTS customers benefit from end-to-end coverage of their IT landscapes, which also affords 24/7 protection against complex attacks. A dedicated data centre at its head office in Herford allows the DTS Group to offer a wide range of traditional systems house services, such as the consulting, design, procurement, implementation and operation of IT environments, which are combined with IaaS, PaaS and SaaS cloud solutions (the latter with a focus on IT security). The original company, DTS Systeme GmbH, was formed in 1983 and is headquartered in Herford with offices in Bochum, Bremen, Berlin, Hanover, Munich, Nuremberg and Hamburg, where it also operates a data centre. ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH has its own data centre and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services. DTS acquired eld datentechnik GmbH, Stuttgart, in October 2011, while ACoN-IT GmbH, Vienna, was formed in 2015 to enable the DTS Group to also offer security and cloud services in particular in Austria.

In the past financial year, DTS was once again named Partner of the Year in Central Europe by Palo Alto Networks, the world's leading provider of network security solutions. It has received further awards in the field of IT security as well, such as Partner of the Year in the DACH region of the also internationally renowned company Proofpoint.

After already very strong growth in 2016, the DTS Group increased its revenue again by 3.2% to €45.5 million in 2017 (2016: €44.1 million). The growth is all the more remarkable as the DTS Group is increasingly moving away from its classic systems business and towards being an IT security and cloud specialist, where it is achieving significantly higher growth rates. The DTS Group therefore contributed 11.3% of the MBB Group's revenue (2016: 13.3%). All this has been accompanied by a very gratifying trend in profitability: EBITDA rose from €3.2 million in the previous year to €4.1 million.

Segment results

The accounting policies applied in segment reporting are as described under I. 4. Segment earnings are based on the EBIT of the individual segments, as this is the basis on which the segments are managed. Transfer pricing between the operating segments is calculated on an arm's-length basis.

1 Jan - 31 Dec 2017	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€k	€k	€k	€k	€k
Revenue from third parties	263,042	94,521	45,514	0	403,077
Other segments	0	131	276	-407	0
Total revenue	**263,042**	**94,652**	**45,790**	**-407**	**403,077**
Earnings (EBIT)	**23,021**	**3,169**	**1,850**	**-8,330**	**19,710**
Amortisation and depreciation	4,425	3,790	2,176	37	10,428
Investments	12,274	9,012	3,239		
Segment assets	**239,584**	**64,669**	**13,272**		
Segment liabilities	**122,502**	**19,169**	**7,462**		

1 Jan - 31 Dec 2016	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€k	€k	€k	€k	€k
Revenue from third parties	204,527	83,538	44,100	0	332,165
Other segments	21	102	290	-413	0
Total revenue	**204,548**	**83,640**	**44,390**	**-413**	**332,165**
Earnings (EBIT)	**19,160**	**4,268**	**1,748**	**-2,834**	**22,342**
Amortisation and depreciation	3,035	3,453	1,480	45	8,013
Investments	6,747	5,208	2,031		
Segment assets	**113,112**	**52,618**	**12,312**		
Segment liabilities	**79,032**	**14,346**	**7,891**		

Segment assets do not include any deferred tax assets, current funds or financial assets. Segment liabilities do not include any deferred tax liabilities, provisions for taxes, lease liabilities, or liabilities to banks.

The income and expenses of the holding company not derived from transactions with subsidiaries are included in the reconciliation to consolidated EBIT. In particular, this includes income and expenses from securities and Executive Management remuneration.

Reconciliation of EBIT to net profit for the year	2017 €k	2016 €k
Total EBIT of the segments	**28,040**	**25,176**
Reconciliation to Group EBIT	-8,330	-2,834
Net finance costs	-1,847	-1,382
EBT	17,863	20,960
Taxes on income	-7,207	-4,801
Other taxes	-415	-380
PAT (profit after tax)	10,241	15,779
Non Controlling Interests	-5,585	-1,526
Net profit for the period	**4,656**	**14,253**

Reconciliation of segment assets to assets	2017 €k	2016 €k
Technical Applications segment	239,584	113,112
Industrial Production segment	64,669	52,618
Trade & Services segment	13,272	12,312
Total segment assets	**317,525**	**178,042**
Deferred tax assets	9,772	8,236
Current funds	241,592	55,524
Financial assets	37,621	21,925
Other assets	4,719	2,746
Total assets	**611,229**	**266,473**

Reconciliation of segment liabilities to equity and liabilities	2017 €k	2016 €k
Technical Applications segment	122,502	79,032
Industrial Production segment	19,169	14,346
Trade & Services segment	7,462	7,891
Total segment liabilities	**149,133**	**101,269**
Consolidated equity	385,057	98,399
Deferred tax liabilities	6,384	3,663
Tax provision	3,031	2,851
Liabilities to banks	53,325	51,844
Leasing liabilities	3,862	3,448
Other equity and liabilities	10,437	4,999
Total equity and liabilities	**611,229**	**266,473**

2. Information by region

2.1 Revenue from external customers

	2017 €k	2016 €k
Europe	368,803	308,020
China	16,928	6,699
NAFTA	7,074	12,592
Miscellaneous	10,272	4,854
Total	**403,077**	**332,165**

The NAFTA region comprises Canada, the US and Mexico.

2.2 Non-current assets

The MBB Group's non-current assets are predominantly located in Europe. The non-current assets of our subsidiaries in China and the US amounted to €178.5 thousand at year-end (previous year: €305.9 thousand).

3. Information on main customers

At 10.7%, a single customer (in the Technical Applications segment) contributed more than 10% of consolidated revenue for the first time in the 2016 financial year. No single customer contributed more than 10% of consolidated revenue in the 2017 financial year.

V. Notes to the consolidated statement of cash flows

The statement of cash flows was prepared in accordance with IAS 7. The cash flows in the statement of cash flows are presented separately as relating to "Operating activities", "Investing activities" and "Financing activities", with the total of the cash flows of these three sub-areas being identical to the change in cash and cash equivalents.

The statement of cash flows was prepared using the indirect method.

The reported cash and cash equivalents are not subject to any third-party restrictions. The Group made no payments for extraordinary transactions. Payments for income taxes and interest are reported separately.

VI. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's financial liabilities mainly include current and non-current liabilities to banks, current trade payables and other current and non-current liabilities. The Group's financial assets essentially consist of cash, gold reserves, securities and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €324,150 thousand in the year under review (previous year: €102,968 thousand). Business relationships are only entered into with partners of good credit standing. Trade receivables relate to a number of customers across various industries and regions. Ongoing credit assessments of the financial level of the receivables are performed. Payment terms of 30 days without deduction are usually granted. Impairment was not recognised for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

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

The measurement of the financial assets and liabilities of the MBB Group is shown under I.4.10 "Financial investments and other financial assets" and I.4.13 "Financial liabilities" and in the discussion of the general accounting policies.

The Group uses fair value measurement for securities and for physical gold reserves classified as available for sale. The Group had no financial liabilities at fair value through profit or loss at either the end of this reporting period or the previous reporting period. Derivatives and hedging transactions were not entered into. There were no reclassifications.

2. Capital risk management

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

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

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

	31 Dec 2017	31 Dec 2016
Equity in €k	385,057	98,399
- in % of total capital	63.0%	36.9%
Liabilities in €k	226,172	168,074
- in % of total capital	37.0%	63.1%
Current liabilities in €k	139,583	98,343
- in % of total capital	22.8%	36.9%
Non-current liabilities in €k	86,589	69,731
- in % of total capital	14.2%	26.2%
Net gearing*	-0.6	-0.3

* Calculated as the ratio of financial liabilities less cash, securities and physical gold reserves to equity.

The agreement of multiple financial covenants when borrowing loans means that the Group and individual subsidiaries are required to comply with certain equity ratios.

3. Financial risk management

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

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

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

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

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). Based on the estimate of exchange rate risks, no foreign exchange contracts were entered into for the Group as at 31 December 2017. The Group's invoices are essentially issued in euro or the respective local currency, thereby largely avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The MBB Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. There is no hedging involving derivatives (e.g. interest rate swaps or interest rate futures). The Group had liabilities with floating interest rates in the amount of €17,255 thousand as at the end of the reporting period. If, all other things being equal and supposing corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €345.1 thousand lower (higher).

5. Fair value risk

The financial instruments of the MBB Group that are not carried at fair value are primarily cash, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities. The carrying amount of cash is extremely close to its fair value on account of the short terms of these financial instruments. For receivables and liabilities with normal credit conditions, the carrying amount based on historical cost is also extremely close to fair value.

VII. Other required information

1. Executive bodies

In line with the one-tier structure, MBB SE is represented by a Board and the Executive Management. In a one-tier system, management is not institutionally separate from monitoring, and instead both functions are performed by the Board.

Board:

Gert-Maria Freimuth, businessman, Chairman

Dr Peter Niggemann, lawyer, Deputy Chairman

Dr Christof Nesemeier, businessman, member of the Board and member of the Executive Management

Gert-Maria Freimuth is also the Chairman of the Supervisory Board of Aumann AG and DTS IT AG in addition to being the Deputy Chairman of the Supervisory Board of Delignit AG.

Executive Management:

Dr Christof Nesemeier, businessman, Chief Executive Officer (CEO)

Anton Breitkopf, businessman, Chief Financial Officer (CFO)

Dr Gerrit Karalus, businessman, Chief Investment Officer (CIO)

Klaus Seidel, businessman, Chief Technical Officer (CTO)

Dr Christof Nesemeier is the Chairman of the Supervisory Board of Delignit AG.

Anton Breitkopf is a member of the Supervisory Board of Delignit AG and the Deputy Chairman of the Supervisory Board of DTS IT AG. He was also the Deputy Chairman of the Supervisory Board of Aumann AG from 10 November 2016 to 9 February 2017.

Dr Gerrit Karalus is a Managing Director of OBO-Werke GmbH and CT Formpolster.

Klaus Seidel is a member of the Supervisory Board of Aumann AG and DTS IT AG.

As per their own wishes, Anton Breitkopf and Dr Gerrit Karalus will not be renewing their Executive Management contracts after they expire as at 30 June 2018. The Board will propose electing Anton Breitkopf as the fourth member of the Board at the Annual General Meeting on 28 June 2018 to continue the decades of successful cooperation in a new role.

The new management team consists of Dr Christof Nesemeier, Chief Executive Officer and Board member of MBB, who will continue to head up the company's management moving ahead, with particular responsibility for Strategy, Capital Allocation and Finance. Klaus Seidel, previously Chief Technical Officer and part of MBB's management since 1999, will serve as Chief Operating Officer in future, also taking on responsibility for the development of the investment portfolio in addition to Technology Development and Legal. Dr Constantin Mang, who has worked for the MBB Group since 2014, will become its Chief Investment Officer in charge of Mergers & Acquisitions and Investor Relations. The Board concluded the Executive Management contracts for the period from 1 July 2018 to 30 June 2021.

2. Executive body remuneration

a) Executive Management

The remuneration of Executive Management consists of a fixed and a variable component. The members of Executive Management are also reimbursed for expenses on presentation of receipts. A D&O insurance policy with a deductible and accident insurance have also been taken out. No additional benefits (e.g. retirement benefits, direct benefits, severance payments, company car) have been agreed.

Top management receives variable remuneration of 9% of the amount by which the equity of MBB SE at the end of each financial year (final value) exceeds the equity at the beginning of the financial year (starting value) starting from the 2010 financial year. In each case, equity comprises the items set out in section 266(3a) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the company holds more than 5% of the voting rights. Furthermore, dividend distributions during the year and repayments of equity must be added to this final value, while additions to equity must be deducted from it. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members are not entitled to receive further variable remuneration until these negative amounts have been eliminated. The Supervisory Board resolved to amend the bonus agreement at its meeting on 29 November 2013. Senior management receives variable remuneration in the amount of a diminishing percentage of the assessment base. This percentage is dependent on the amount of the assessment base and is 9% up to €20,000,000 €9%, 4% from €20,000,001 to €30,000,000, 2% from €30,000,001 to €40,000,000, 1% from €40,000,001 to €50,000,000 and 0.5% from €50,000,001.

The remuneration system for senior management introduced by way of resolution of the Supervisory Board on 21 December 2009 and modified by way of resolution of 29 November 2013, and the long-term bonus programme, was suspended without payment in 2016. In return, at its meeting on 13 December 2016, the Board resolved a one-time bonus programme in the event of a possible IPO by Aumann AG, providing for bonuses for the management and employees of MBB SE of up to 5.5% of the issue proceeds in total; this also includes a cap on variable remuneration for 2017 at 25% of the gross IPO bonus. Management received a total of €12.1 million from this agreement as a result of the extremely successful IPO of Aumann AG. Management is billing the company for the remuneration in the context of service agreements, plus statutory VAT. The company applied for a partial refund of input tax in the 2017 financial year. If the tax authorities rule in favour of the company and partly refund the input tax, Executive Management could receive further payments from the one-time bonus programme. In any event, these payments will not result in expenses to MBB SE and are at the sole discretion of the Board of MBB SE with no obligation.

b) Board:

Fixed remuneration for Board members was expensed in the amount of €12,000 in the year under review. In accordance with the resolution by the Annual General Meeting on 30 June 2010, the Board as a whole receives additional variable remuneration of 1% of the amount by which the equity of MBB SE at the end of each financial year (final value) exceeds the equity at the beginning of the financial year (starting value) starting from the 2010 financial year. In each case, equity comprises the items set out in section 266(3a) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the company holds more than 5% of the voting rights. Dividend distributions during the year and repayments of equity must be added to this final value, while additions to the equity must be deducted from it. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members are not entitled to receive further variable remuneration until these negative amounts have been eliminated. However, the total of variable remuneration plus meeting attendance fees for all Board members must not exceed €100,000 per full financial year. This means that the members of the Board received variable remuneration of €90.0 thousand for 2017. Dr Christof Nesemeier's remuneration entitlement as a member of the Board is covered with his other remuneration.

The total remuneration of the executive bodies of MBB SE for 2017 and 2016 can be seen in the following tables:

Remuneration (€k)	Fixed	Bonus 2017	Variable IPO Bonus	Long-term Bonus	Supervisory board remuneration	Consulting-fees	Total	Provision for VAT	Provision long-term bonus programme
Dr Christof Nesemeier	285	696	2,339	2,973	20	0	6,313	363	2,291
Anton Breitkopf	167	696	2,339	1,487	10	0	4,699	363	1528
Dr Gerrit Karalus	190	696	2,339	496	0	0	3,721	363	1528
Klaus Seidel	190	696	2,339	1,487	18	0	4,730	363	1528
Verwaltungsrat									
Gert-Maria Freimuth	6	60	0	0	40	69	175	0	0
Dr Peter Niggemann	6	30	0	0	0	0	36	0	0
Dr Christof Nesemeier	0	0	0	0	0	0	0	0	0

* Board remuneration relates to work in the Supervisory Boards of Delignit AG and Aumann AG.

2016 Remuneration (€k)	Fixed	Variable	Board* remuneration	Others**	Consulting Services	Total	Provision Bonus
Executive Management							
Dr Christof Nesemeier	276	0	20	0	0	296	1,769
Anton Breitkopf	80	0	10	110	0	200	955
Dr Gerrit Karalus	200	0	0	0	0	200	508
Klaus Seidel	200	0	0	0	0	200	955
Board							
Gert-Maria Freimuth	6	20	15	0	69	110	0
Dr Peter Niggemann	6	10	0	0	0	16	0
Dr Christof Nesemeier	0	0	0	0	0	0	0

* Board remuneration relates to work in the Supervisory Board of Delignit AG.
** Other remuneration includes remuneration for the position of Managing Director of MBB Technologies GmbH (until the change of legal form on 10 November 2016).

Long-term bonus programme

In December 2013 MBB SE introduced a long-term bonus programme based on the share price, against payment for management and free of charge for employees, in order to reinforce its long-term investment nature as a family-owned, medium-sized group listed in the Prime Standard of the Frankfurt Stock Exchange. The business model of MBB SE is largely based on the use of qualified, committed managers. This model is intended to incentivise them to sustainably increase the value of MBB while ensuring that they remain with the company in the long term.

The nature and extent of the plan are redefined each year. No regulation was devised for the 2016 financial year owing to the planned IPO of Aumann AG and the associated special agreement.

The value of virtual options is calculated for the share price-based bonus programme. When the virtual options mature, the beneficiary receives no physical shares and instead the value of the virtual options is settled in cash.

The method for the current bonus programme is: the 90-day average price before 15 December in the year the options are issued is set as the reference price (P1). If the average share price for the 90 days prior to the third 15 December after the issue date falls below the reference price plus dividends paid and assumed to have been reinvested (performance price P2), the option is extinguished (knock-out). If performance price P2 on this date is higher than the reference price, the intrinsic value (IV) of the option is fixed in accordance with the formula (P2-P1)/P2=IV and the option term continues until the fifth 15 December (allocation date) and the issue date. On this date the option is settled at its allocation value (AV) based on the average price for the 90 days prior to this date plus dividends paid and assumed to have been reinvested (performance price P3) in accordance with the formula AV=IV*P3. This figure is multiplied by the number of virtual options and converted into shares at the allocation value. Settlement is in cash.

The beneficiary must be in a non-terminated employment or other service relationship with MBB SE throughout the term of the virtual option, and on the allocation date in particular; if this is not the case the option expires without substitution. MBB SE can agree to postpone the delivery date by one year, on one or more occasions, providing the service relationship remains in place.

Ultimately, beneficiaries who remain with the company in the longer term will participate in the positive performance of the company's share price and bear the risk of negative development up to and including the loss of the option premium paid.

The virtual options have broken down among the members of the Executive Management and employees of MBB as follows since 2014:

Total Options		Option programme		Total
Optionen	2017	2015	2014	
Dr Christof Nesemeier	13,000	15,000	15,000	43,000
Anton Breitkopf	10,000	10,000	10,000	30,000
Klaus Seidel	10,000	10,000	10,000	30,000
Dr Gerrit Karalus	10,000	10,000	10,000	30,000
Team	13,000	6,500	5,000	24,500

	Longterm Bonus programme		
	2017	2015	2014
Total Options	56,000	51,500	50,000
Basic price (K 1)	22.82	22.82	23.02
90 days average price	98.34	98.34	98.34
Knock out price K2*	98.34	101.47	103.81
Intrinsic value	0.00	0.78	0.78
Closing price 31 Dec 2017	87.09	87.09	87.09

The total obligation under the long-term bonus programme amounted to €4,410.0 thousand as at 31 December 2016. This obligation increased by €9,932.4 thousand in the 2017 financial year. As a result of the extremely successful IPO of Aumann AG, the price of MBB SE shares increased to €89.24 by 27 March 2017, as a result of which the obligation rose by €8,724.0 thousand as a direct result of the IPO of Aumann AG. The further increase in the obligation of €1,208.4 thousand results from the rise in the average price of MBB shares as at 15 December 2017 and the dividend paid in 2017.

At its meeting on 4 December 2017, the Board resolved to offer all participants of the long-term bonus programme from 2013 early payment on modified contractual terms. The reason for this was the outstanding success of Aumann AG's IPO and the very high liquidity at MBB SE this entailed, the threat of negative interest rates and, from MBB SE's perspective, a favourable assessment of the programme. All beneficiaries were offered €49.55 per 2013 pre-emption right (AV), corresponding to a weighted average price from 4 December to 8 December 2017 of €91.42, and therefore significantly less than the 90-day price valid as at 15 December 2017 of €98.67 per share. The offer was accepted by all beneficiaries, resulting in a payment of €6,590.4 thousand. Payment was made under the contractually agreed provison that MBB SE can claim the payment back in the event that the beneficiary is no longer in a non-terminated employment relationship with MBB SE by the end of 15 December 2018.

The provision for the long-term bonus programmes amounts to €7,752 thousand as at 31 December 2017 (€6,875 thousand of which for Executive Management).

3. Related party transactions

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

3.1 Related persons

a) Executive Management and Board

Please refer to the information on the remuneration paid to the members of the executive bodies for further details. Other than the remuneration mentioned above, the members of the executive bodies have not entered into any other transactions with the MBB Group.

b) Notification of transactions in accordance with section 15a WpHG

Persons with management duties, especially the members of the Executive Management and the Board of MBB SE, and their related parties in accordance with section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) are required to disclose their transactions involving shares of MBB SE or related financial instruments. Notifications of relevant transactions are published on our website at www.mbb.com. There were no such transactions in the 2017 financial year.

3.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry. Related companies are also considered to be those companies described as associated with the above related persons. Group companies performed the following transactions with related parties that do not belong to the Group over the course of the year:

In accordance with the master agreement dated 3 March 2015, MBB Capital Management GmbH, Berlin, is paid monthly by MBB SE for Dr Christof Nesemeier's activities as the CEO of MBB SE. Please refer to the above information for the amounts of the variable and fixed remuneration.

The consulting activities of Mr Gert-Maria Freimuth are remunerated by MBB SE via MBB Capital GmbH, Münster, in accordance with the master agreement dated 17 June 2013. The remuneration amounted to €68,750 in the year under review.

4. Employees

The average number of employees in the 2017 and 2016 financial years breaks down as follows:

Average number of employees	2017 Headcount	2016 Headcount
Technical Applications	1,032	827
Industrial Production	521	469
Trade & Services	161	132
Total	**1,713**	**1,428**

As at the reporting date	31 Dec 2017 Headcount	31 Dec 2016 Headcount
Technical Applications	1,303	869
Industrial Production	539	467
Trade & Services	164	141
Total	**2,006**	**1,477**

MBB Group had a total of 140 trainees as at 31 December 2017 who are not included in the above figures.

5. Auditor's fees

The auditor's fees recognised in the 2017 financial year break down as follows:

	2017 €k
Audit services	262
Tax consulting services	0
Consulting services	0
Total	**262**

6. Events after the end of the reporting period

MBB SE placed 1,703,700 Aumann shares at a price of €61 on 27 February 2018. With a holding of 38.0%, MBB is still the largest shareholder in Aumann AG and plans to continue to consolidate Aumann in the MBB Group moving ahead. The gross issue proceeds amounted to €103.9 million, significantly boosting the Group's equity and net cash, which is to be used for the further expansion and diversification of the MBB portfolio.

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

7. Other financial obligations

Please refer to note II.15.1 "Operating leases and rent" for information on other financial obligations.

8. Contingent liabilities

Liability obligations can arise under the German Securities Prospectus Act (WpPG) on account of the IPO of Aumann AG.

9. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, MBB SE is required to submit a declaration on the extent to which the recommendations contained in the Corporate Governance Code of the German Government Commission have been complied with. The Board submitted the latest version of this declaration on 17 March 2018. It forms part of the management report and is published online at www.mbb.com.

10. Responsibility statement

To the best of our knowledge, and in accordance with the generally accepted principles of proper Group financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, 11 April 2018

Executive Management of MBB SE

Auditor’s report

To MBB SE, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of MBB SE and its subsidiaries (the group), comprising the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the consolidated management report of MBB SE, which is combined with the single-entity management report, for the fiscal year from 1 January to 31 December 2017. We did not audit the contents of the declaration on corporate governance and the consolidated non-financial statement in compliance with German law.

In our opinion, based on the findings of our audit:

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to section 315e(1) HGB and, in accordance with these requirements, give a true and fair view of the group’s net assets and financial position as of 31 December 2017, and of its results of operations for the financial year from 1 January 2017 to 31 December 2017, and

- the attached group management report as a whole presents an accurate view of the group’s position. The group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the consolidated management report does not cover the contents of the above-mentioned declaration on corporate governance.

Pursuant to section 322(3) sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the corporate management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter “EU-AR”), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the Auditor for the Audit of the consolidated financial statements and the group management report” section of our auditor’s report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the group management report.

Key audit matters in the audit of the consolidated financial statements

Key issues pertaining to the audit are those that, based on our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year 1 January 2017 to 31 December 2017. These issues were taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these issues.

In our view, the following matters were the most significant in our audit:

- Capital measures at the subsidiary Aumann AG and their effect on the consolidated financial statements
- Acquisition of the shares in USK Karl Utz Sondermaschinen GmbH
- Recognition of contract revenue

We have structured our presentation of these key audit matters as follows:

1. Matter and problem
2. Audit approach and findings
3. Reference to further information

We present the key audit matters below:

Capital measures at the subsidiary Aumann AG and their effect on the consolidated financial statements

1. A total of 5,980,000 shares were placed in the context of the IPO of the subsidiary Aumann AG on 24 March 2017. 1,500,000 of these shares relate to a capital increase and 4,480,000 shares were sold by the selling shareholders. The number of shares sold by MBB in the context of this transaction was 4,188,800. As a result, MBB’s share in Aumann AG was reduced to 53.6%. In addition, on the basis of a capital increase implemented on 4 December 2017, the Aumann AG share capital was increased by a further 1,250,000 shares. As MBB did not participate in this capital increase, MBB’s share in Aumann AG was reduced to 49.2%. As a result of the implemented capital increase, the MBB Group received funds totalling EUR 318.9 million. Due to the overall material quantifiable effects of this capital increase on the net assets, financial position and results of operations of the group, this matter was particularly significant for our audit.

2. In order to address this risk we critically scrutinized the management’s assumptions and estimates. Thus the audit procedures included the following:
    - We examined the appropriate recognition of the funds received in the context of the implemented capital increase and the appropriate recognition of the transaction costs incurred by the capital measures.
    - We assured ourselves that the reductions of the ownership interests resulting from the increased minority interests were recognised appropriately within consolidated equity.
    - In addition, we assured ourselves that after the reduction of the ownership interest to 49.2%, the Aumann Group is still to be consolidated in the consolidated financial statements as a subsidiary pursuant to IFRS 10. In the process, we acknowledged the assessment of the management assumptions in respect to existing control on the basis of the current ownership interest and the Aumann AG Rules of Procedure. Our assessment was also based on a report from an external expert.

    Our analysis resulted in no limitations in respect to consolidating the Aumann Group in the consolidated financial statements. Overall, we convinced ourselves that accounting of the capital measures implemented was performed appropriately.

3. The company’s disclosures on the determination of entities to be concluded in the consolidation are included in Note I.3 of the notes to the consolidated financial statements. Information on the issue proceeds of the capital measures including the offset transaction costs are to be found in Note II.10.2 in the notes.

Acquisition of the shares in USK Karl Utz Sondermaschinen GmbH

1. By contract dated 18 October 2017, the subsidiary Aumann AG acquired 100% of the shares in USK Karl Utz Sondermaschinen GmbH, Limbach-Oberfrohna (USK). The closing of the transaction and the first-time consolidation in line with the regulations of IFRS 3 for business combinations took place as of 18 October 2017. The cash purchase price was EUR 44.7 million. Taking account of the assets acquired at the time of first-time consolidation results in goodwill of EUR 28.4 million. Due to the overall material quantified effects of this company acquisition on the net assets, financial

position and results of operations of the group and due to the complexity of measuring the company acquisition, this matter was particularly significant for our audit.

2. In order to address this risk we critically scrutinized the management's assumptions and estimates. Thus the audit procedures included the following:
    - Inspection of the contractual arrangements and obtaining an understanding of the company acquisition and reconciling the purchase price paid as consideration for the stake received against the evidence presented to us of the payments made.
    - Assessment implemented by an external expert on the remeasurement of USK assets for their usabilty in the context of a purchase price allocation.
    - Assessment of the company's measures of certain intangible assets.
    - Obtaining an understanding on the initial data underlying the measurements and the assumptions made and utilised.
    - Assessment of the opening balance figures and review of the first-time consolidation of USK at the time of first-time consolidation on the basis of the purchase price allocation.

    Our analysis resulted in no limitations in respect to the usabilty of the expert assessments. Overall on the basis of the described and other audit processes, we convinced ourselves that the acquisition of the USK business operations is sufficiently documented and appropriately presented.

3. The company's disclosures on the business combination are included in Note I.3 of the notes to the consolidated financial statements.

Recognition of contract revenue

1. A large part of the group's business operations is processed on the basis of construction contracts. The recognition of revenue for long-term construction takes place pursuant to IAS 11 "Construction Contracts", based on the percentage of completion. In our view, accounting of construction contracts is an area with a significant risk of material misstatements (including the possible risk that management circumvents controls) and thus a key audit matter as management estimates have a material impact in determining the percentage of completion. This applies primarily to the necessary scope of delivery and performance, total contract costs, the costs to be incurred until completion, contract revenues and the contract risks, including technical and legal risks. In some cases, due to new information on cost overruns and changes to the project scope during the duration of a construction contract, revenues, contract costs and percentage of completion may differ considerably from the original estimates.

2. In order to address this risk we critically scrutinized the management's assumptions and estimates. Thus the audit procedures included the following:
    - For our audit we examined the internally stipulated methods, processes of control mechanisms of project management in the offer and processing stage of construction contracts. In addition, we assessed the design and effectiveness of the accounting-related internal controls by assessing construction-order related transactions from their origin until recognition in the consolidated financial statements and by testing controls.
    - On a selected risk-oriented test basis, we assessed the estimates and assessments of the management in the context of testing details. Among others, our audit procedures included the inspection of the contract basis and contractual conditions, including agreed contractual regulations on part deliveries and services, rights of termination, defaults and contractual penalties and damages. For the selected projects, we addressed the issue of accrual principles for measuring revenue and the revenues to be recognised on the reporting date and the related revenue costs to be measured through profit and loss taking account of the percentage of completion and examined the accounting of the relevant accounting positions.
    - Furthermore, we surveyed project management (both commercial and technical project managers) on the development of projects, on the reasons for deviations between planned and actual costs, on the current assessment of the costs anticipated to be incurred until completion and on management estimates on possible contract risks.

    Our audit proceedings did not result in any reservations in respect to recognition of contract revenue.

3. The accounting policies applied and the assumptions made in the company’s disclosures in the context of accounting for construction contracts are included in Note I.4.16 of the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the group’s company management declaration,
- the consolidated non-financial statement
- the other parts of the annual report, with the exception of the audited consolidated financial statements and corporate management report and our auditor’s report.
- the corporate governance report in line with 3.10 of the German Corporate Governance Code and
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 315 (1) Sentence 5 HGB on the group management report.

Our audit opinions regarding the consolidated financial statements and the group management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the corporate management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

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

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the group’s status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the group management report, which as a whole provides an accurate view of the group’s position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the group management report.

The Board is responsible for monitoring the group’s accounting process for the preparation of the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an accurate view of the group’s position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor’s report containing our audit opinions regarding the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. the risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the group’s ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the group management report in the auditor’s report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor’s report. However, future events or circumstances may mean that the group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the corporation in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the company’s accounting information or business activities within the corporation in order to provide audit opinions regarding the consolidated financial statements and the corporate management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the group management report with the consolidated financial statements, its legality and the view it gives of the position of the group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives’ forward-

looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable yet unavoidable risk that future events will deviate materially from the forward-looking statements.

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

We declare to those responsible for overseeing the audit that we complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, and the precautions taken against this.

Of the issues we discussed with those responsible for overseeing the audit, we determine which issues were most significant in the audit of the consolidated financial statements for the current reporting period and that are therefore the key audit issues. We describe these issues in our audit opinion, unless the public disclosure of such issues is prevented by law or other legal provisions.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 28 June 2017. We were engaged by the Supervisory Board on 21 December 2017. As group auditors we have audited the consolidated financial statements as of 31 December 2017 and the consolidated management report for the 2017 fiscal year which statutorily must be prepared and audited.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Audit Committee according to Article 11 EU-AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christian Weyers.

Düsseldorf, 11 April 2018

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grote	Weyers
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial calendar

Quarterly Report Q1/2018

14 May 2018

Annual General Meeting 2018

28 June 2018, 10:00 a.m.
in the premises of Ludwig Erhard Haus,
Fasanenstrasse 85, 10623 Berlin

Half-Year Financial Report 2018

16 August 2018

Quarterly Report Q3/2018

19 November 2018

End of financial year

31 December 2018

Contact

MBB SE

Joachimsthaler Strasse 34

10719 Berlin, Germany

Tel.: +49 (0)30 844 15 330

Fax: +49 (0)30 844 15 333

www.mbb.com

request@mbb.com

Legal notice