

Recommendation: **BUY** (Initiating Coverage) Risk: **MEDIUM (-)** Price Target: **EUR 12.00 (-)**

27 April 2010

Excellent financials and track record

Much potential for further growth

- As an industrial holding company, MBB Industries AG (hereinafter also referred to as MBB) purchases, develops and sells holdings in medium-sized industrial companies. Its focus lies on companies that are characterized by a strong position in the relevant industry. The current portfolio comprises 6 companies in the three market segments "Technical applications", "Industrial production" and "Trading and services". In FY 2009, sales amounted to EUR 116.6m and EPS stood at EUR 0.54.
- Liquidity including gold amounts to EUR 35.3m, net cash was EUR 10.7m by the end of FY 2009. Equity ratio was 54.5% and goodwill amounted to just EUR 2.5m. Due to these excellent figures there is room for further acquisitions.
- MBB traditionally pays moderate prices when acquiring a company. We estimate EV/EBITDA multiples at ca. 3x - 4x.
- In the period 1995-2009, the internal rate of return (IRR) was more than 30%. This demonstrates management's ability to identify attractive acquisition targets. Furthermore, MBB's board members and founders control 75% of the share capital meaning that there is a strong personal interest to develop the company.
- The business activities of MBB's holding companies, all of which are industrial SME, are dependent on the state of the economy. An expected economic recovery in FY 2010 and 2011 coupled with an efficient management of the holdings will greatly benefit the MBB group.
- We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. Our multiple valuation on the basis of P/E, EV/EBIT and EV/EBITDA multiples indicates a market-derived value of EUR 11.50 per share. Our DCF model yields a fair value of EUR 12.95 per share. On the basis of both results this approach resulted in a fair value of EUR 12.23 per share. We initiate our coverage with a BUY recommendation and a EUR 12.00 price target.

Key data

FY 12/31, EUR m	2008	2009E	2010E	2011E	2012E
Sales	199.3	116.6	120.0	135.0	147.0
EBIT	14.4	6.0	6.8	8.5	9.7
Net result	8.0	3.5	5.0	6.7	7.9
EPS	1.22	0.54	0.76	1.01	1.19
DPS	0.25	0.50	0.27	0.35	0.42
Gross margin	43.2%	46.3%	45.3%	45.0%	44.7%
EBIT margin	7.2%	5.1%	5.6%	6.3%	6.6%
ROE	14.8%	6.3%	8.7%	10.6%	11.5%
ROA	5.7%	3.3%	4.6%	5.7%	6.4%
EV/EBITDA	1.9	3.8	3.5	3.0	2.8
EV/EBIT	2.6	6.3	5.6	4.5	3.9
P/E	6.0	13.5	9.5	7.2	6.1

Source: MBB Industries AG, CBS Research AG

Share price (dark) vs. CDAX



Source: CBS Research AG, Bloomberg

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	120	-	135	-	147	-
EBIT	6.8	-	8.5	-	9.7	-
EPS	0.76	-	1.01	-	1.19	-

Internet: www.mbbindustries.com Sector: All Industrial
WKN: AOETBQ ISIN: DE000A0ETBQ4
Reuters: MBBG.DE Bloomberg: MBB GY

Share data:

Share price (EUR, yesterday's closing):	7.24
Shares outstanding (m):	6.6
Market capitalisation (EUR m):	47.52
Enterprise value (EUR m):	37.21
Ø daily trading volume (shares):	3,540

Performance data:

High 52 weeks (EUR):	7.56
Low 52 weeks (EUR):	4.41
Absolute performance (12 months):	60.0%
Relative performance:	CDAX
1 month	-0.3%
3 months	7.4%
6 months	-5.0%
12 months	17.5%

Shareholders:

Management	75.0%
Free float	25.0%

Financial calendar:

Annual report	30 April 2010
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Investment thesis

As an industrial holding company, MBB Industries AG purchases, develops and sells holdings in medium-sized industrial companies. Its focus lies on companies that are characterized by a strong position in the relevant industry. The current portfolio comprises 6 companies in the three market segments "Technical applications", "Industrial production" and "Trading and services".

MBB enjoys a balance sheet that easily allows for further acquisitions: Liquidity including gold amounts to EUR 35.3m, net cash was EUR 10.7m by the end of last business year. Equity ratio was 54.5% and goodwill amounted to just EUR 2.5m. Due to these excellent figures there is room for further acquisitions. It is worth to mention that the net cash position of MBB holding (AG) was EUR 28.4m – a safe harbour if a group company should come in trouble.

The business activities of MBB's holding companies, all of which are industrial SME, are dependent on the state of the economy. An expected economic recovery in FY 2010 and 2011 coupled with an efficient management of the holdings will greatly benefit the MBB group.

In the period 1995-2009, the internal rate of return (IRR) was more than 30%. This demonstrates management's ability to identify attractive acquisition targets. Furthermore, MBB's board members and founders control 75% of the share capital meaning that there is a strong personal interest to develop the company.

Dividend policy: MBB pays a dividend amounting to at least EUR 0.25 per share. Due to a successful exit of Reimelt-Henschel, dividend for FY 2009 will amount to EUR 0.50 per share.

FY 2009: MBB's consolidated revenue for last year was EUR 116.6m compared with EUR 199.3m in 2008. Profit for the year was EUR 3.5m compared with EUR 8.0m in 2008. Although the drop in revenue and earnings was partly due to the prevailing economic conditions at the time, it was largely the result of the sale of the Reimelt-Henschel group in the second quarter of 2009. EPS for 2009 was 54 cents, compared with EUR 1.22 in 2008.

Outlook: The managing board is forecasting sales of EUR 120m for the year 2010 with its existing holding portfolio and an increase in the level of earnings compared with the previous year, based on the assumption that the underlying economic conditions for 2010 have improved. It is worth mentioning that MBB sold the Reimelt-Henschel group in 1H 2009 whose contributions to revenues was about EUR 34m. On the other hand, CT Formpolster will be consolidated with effect of 1 January. For this company we assume revenues of EUR 22m. Hence, MBB will be able to increase adjusted revenues in FY 2010E by ca. 20%.

Our future projections have been made with respect to the current portfolio and we therefore have not taken possible future acquisitions into account.

Focus on 3 segments

Excellent financial ratios

We believe in even better performance of holdings

..IRR more than 30%

Current dividend yield amounts to 6.9%

FY 2009: Despite crisis a solid set of figures

Outlook for 2010: slight sales increase and stronger profitability

Growth assumptions based on solely on organic factors

We applied a multiple valuation based on a peer group and a Discounted Cash Flow (DCF) model. Our multiple valuation on the basis of P/E, EV/EBIT and EV/EBITDA multiples indicates a market-derived value of EUR 11.50 per share. Our DCF model yields a fair value of EUR 12.95 per share. On the basis of both results this approach resulted in a fair value of EUR 12.23 per share. We initiate our coverage with a BUY recommendation and a EUR 12.00 price target.

**Buy recommendation
with a Price Target of
EUR 12.00**

SWOT Analysis

Strengths

- MBB Industries has a balance sheet that is more than healthy: Goodwill (as of 30 September 2009) amounts to EUR 2.5m, while equity is EUR 55.5m. Total assets stand at EUR 103.5m
- Impressive track record: In the period 1995 – 2009 the IRR amounted to more than 30%
- Low multiples: in the past MBB has only paid about 3 – 4x EV/EBITDA when companies were acquired
- MBB's core management team has remained unchanged since many years and can offer a lot of experience and expertise
- As MBB does not follow a specific industry approach, the company is able to reduce its non-systematic risk for the group
- MBB's board members control about 75% of the share capital. Hence, the executives have a strong interest to develop the company

Weaknesses

- On the other hand, the low free float leads to a low trading volume in the shares
- MBB does not concentrate on a specific industry when companies are acquired. This prevents it from becoming a market expert in a particular industry or sector
- Currently eight persons (core team (five) and employees (three)) work for the MBB holding. Hence, management capacity for a strong increase of holding companies is limited

Opportunities

- MBB's liquidity (EUR 35.3m) easily allows for further investments. The group's debt amounts to only EUR 24.6m
- Current state of the investment market should enable acquisitions at favourable conditions
- Its latest acquisition CT Formpolster should lead to synergies with OBO in the field of purchase of raw material and distribution/marketing

Threats

- Raw material prices for cellulose, wood and plastics could rise
- Despite its track record there is no guarantee that MBB always acquires companies that fulfil executives' expectations
- The success of the holdings is very much dependent on the state of the economy. A company such as Delignit might run into problems if the automobile sector does not develop as expected. Furthermore, Delignit's financials are improveable: on 30 June 2009, cash was EUR 0.5m and financial liabilities amounted to EUR 11.1m

Valuation

Valuation summary

We applied a multiple valuation and a discounted cash flow (DCF) model to derive the company's fair value. Our peer group comparison indicates a fair value of EUR 11.50 per share. We focused on the earnings multiples for 2010E to 2011E. Our DCF model results in a fair value of EUR 12.95 per share.

Weighting DCF valuation results at 50%, we derive a final fair value of EUR 12.23

Consolidation of valuation methods

	Weighting factor	Fair value per share (EUR)
Peer group valuation	50.0%	11.50
DCF valuation	50.0%	12.95
Fair value per share (EUR)		12.23

Source: CBS Research AG

Valuation on the basis of a DCF model and a peer group comparison

Fair Value per share is EUR 12.23

Peer group analysis

We have chosen German companies which have a similar or partially similar business model: All of them operate as investment companies with full consolidation of its holdings. In line with its peers, MBB Industries would be fairly valued at EUR 11.50.

Note: We have intentionally chosen not to include companies such as Bavaria Industriekapital AG, CFC Industriebeteiligungen AG, ARQUES Industries AG and Aurelies AG because they focus on the takeover and re-organisation of unprofitable/distressed companies, which is not compatible with MBB's acquisition criteria.

Peer group – short overview

AUGUSTA Technologie AG is a technology group with two divisions: Sensors and Vision. Strategically the company focuses on the niche markets within Sensors and Microsystems Technology as well as Vision Technology. In order to build a leading position in its target markets, Augusta makes use of both organic growth and strategic partnerships and acquisitions. Growth along the value chain in its target markets and the internationalization of its business are key priorities.

Elaxis AG operates as holding company with two divisions: a) plastics and b) steel and print. The portfolio currently includes 3 companies (Hekuma, EMG Industries and BST International)

Gesco AG is a financial holding which acquires highly profitable, strategically attractive SMEs. Its objective is to retain long-term involvement in the companies it acquires while developing their business. Gesco's focus is in the tool manufacture/mechanical engineering and plastics technology segments. In contrast to private equity companies Gesco makes a long-term investment, generating its

Peer group multiples lead to EUR 11.50

Augusta

Elaxis

Gesco

returns from the operating income of its companies. Although Gesco runs a “Buy and Hold-Strategy”, the company is the closest peer to MBB.

INDUS Holding AG only invests in successful, innovative manufacturing companies. To minimize its entrepreneurial risk, the company focuses on a variety of sectors, such as the engineering, construction and automotive industries, as well as increasingly on the high-growth sectors of medical and environmental technology.

INDUS

M.A.X. Automation AG is an entrepreneurially active, international participation company that establishes leading positions in focussed target markets through acquiring holdings in medium-sized industrial companies. The operative focus lies in the target markets of environmental technologies and industrial Industries. The affiliated companies of MBB Industries AG strive to establish technological market leadership with the aim of providing their clients worldwide with customized, requirements-tailored Industries solutions.

M.A.X.

The table below shows the margins within the relevant peer group:

Peer group: Margins

Company name	EBITDA margin			EBIT margin			Net margin		
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
AUGUSTA TECHNOLOGIE AG	13.8%	15.0%	16.7%	11.1%	12.2%	13.5%	7.1%	7.8%	8.9%
ELEXIS AG	9.8%	13.8%	15.3%	7.0%	10.5%	12.1%	3.4%	5.8%	7.5%
GESCO AG	10.4%	11.3%	11.4%	6.4%	8.0%	8.2%	3.5%	4.5%	4.8%
INDUS HOLDING AG	13.0%	13.9%	n.a.	8.6%	9.6%	n.a.	3.1%	4.0%	n.a.
M.A.X. AUTOMATION AG	6.7%	7.6%	n.a.	4.4%	5.4%	n.a.	2.7%	3.5%	n.a.
Average	10.7%	12.3%	14.5%	7.5%	9.1%	11.3%	4.0%	5.1%	7.0%
Median	10.4%	13.8%	15.3%	7.0%	9.6%	12.1%	3.4%	4.5%	7.5%

Source: CBS Research AG, Bloomberg

The next table shows current multiples:

Peer Group: Multiples

Company name	EV / EBITDA			EV / EBIT			P / E		
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
AUGUSTA TECHNOLOGIE AG	7.3	6.4	5.4	9.1	8.0	6.7	12.0	10.5	8.6
ELEXIS AG	7.8	5.1	4.4	10.8	6.8	5.6	23.0	12.7	9.1
GESCO AG	6.0	5.5	4.8	9.7	7.1	6.7	12.5	8.5	7.5
INDUS HOLDING AG	6.7	5.8	n.a.	10.2	8.4	n.a.	10.2	7.6	n.a.
M.A.X. AUTOMATION AG	7.2	5.7	n.a.	10.7	7.8	n.a.	18.1	11.8	n.a.
Average	7.0	5.7	4.9	10.1	7.6	6.3	15.2	10.2	8.4
Median	7.2	5.7	4.8	10.2	7.8	6.7	12.5	10.5	8.6

Source: CBS Research AG, Bloomberg

We applied these multiples to our financial forecasts for MBB Industries. We deducted company's net financial debt from the derived enterprise values in order to get the fair value of equity. With the P/E, EV/EBIT and EV/EBITDA multiples for 2010 to 2011, we directly calculated the fair value of equity. The peer group approach indicates a fair value of EUR 11.50.

	EBITDA			EBIT			EPS		
	2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E
MBB Industries AG: Financial estimates CBS Research	10.7	12.4	13.7	6.8	8.5	9.7	0.76	1.01	1.19
Applied multiples: Peer group median	7.2	5.7	4.8	10.2	7.8	6.7	12.5	10.5	8.6
Enterprise value (derived)	77.2	70.7	65.5	69.0	66.2	64.8	-	-	-
+ Excess cash and marketable securities	34.4								
- Financial debt and minority interest	-24.4								
Market capitalization (derived)	87.2	80.7	75.4	78.9	76.2	74.8	62.6	69.8	67.6
Average	75.9								
Premium (discount) vs. Peer Group	0%								
Fair market capitalization (after discount)	75.9								
Number of shares (m)	6.6								
Fair value per share (EUR)	11.50								

Source: CBS Research AG, Bloomberg

The following table demonstrates MBB strengths in comparison with its peers when it comes to key figures and ratios.

In terms of goodwill as a percentage of equity, MBB and Gesco hold the lead. Perhaps, more importantly, MBB is the uncontested leader in terms of sound net liquidity. 4 of the 5 peers in the table had a negative net liquidity with Indus being extremely deep in the red.

	as of	GOODWILL (EUR m)	EQUITY CAPITAL (EUR m)	EQUITY RATIO	GOODWILL in % of EQUITY	NET LIQUIDITY (EURm)
AUGUSTA TECHNOLOGIE AG	31.12.2009	63.4	95.4	67.0%	66.5%	-4.4
ELEXIS AG	31.12.2009	26.2	66.6	51.7%	39.3%	2.2
GESCO AG	31.12.2009	6.8	102.0	39.7%	6.7%	-58.3
INDUS HOLDING AG	31.12.2009	289.6	241.7	26.5%	119.8%	-408.3
M.A.X. AUTOMATION AG	31.12.2009	27.6	71.8	48.4%	38.5%	-4.3
MBB INDUSTRIES AG	31.12.2009E	2.5	55.6	53.7%	4.4%	10.7

Source: CBS Research AG, company data

DCF model

Our DCF model indicates a fair value of EUR 12.95 for MBB Industries. Our assumptions are as follows:

Phase 1 (2010-12E): We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

Phase 2 (2013-19E): For Phase 2, we started out from more general assumptions. We assumed a sales growth of 3% annually. We forecast an EBIT margin rising from 6.5% to 7.3%.

Phase 3: For the calculation of the terminal value, we applied a long-term FCF growth rate of 2.0% which equals the estimated long-term inflation rate.

In our model, risk free rate is 3.5% and Beta amounts to 1.8.

Based on these assumptions, we calculated a fair value of the operating business of EUR 75.5m. We added MBB's 2010E net cash (cash minus financial debt). The resulting fair value of equity is EUR 85.5m. The fair value per share amounts to EUR 12.95 according to our DCF model.

DCF model leads to a fair value of EUR 12.95

Phase 1 according to detailed estimates

Phase 2 characterised by 3% sales growth per year

Phase 3: Terminal value growth at 2%

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2010E	2011E	2011E	2012E	2013E	2014e	2015e	2016e	2017e	2018e	∞
Sales	120.0	135.0	147.0	151.4	156.0	160.6	165.4	170.4	175.5	180.8	
YoY growth	2.9%	12.5%	8.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
EBIT	6.8	8.5	9.7	9.8	10.3	10.9	11.4	12.0	12.6	13.2	
EBIT margin	5.6%	6.3%	6.6%	6.5%	6.6%	6.8%	6.9%	7.0%	7.2%	7.3%	
Income tax on EBIT (cash tax rate)	-0.7	-0.8	-1.0	-2.0	-2.1	-2.2	-2.3	-2.4	-2.5	-2.6	
Depreciation and amortisation	4.0	3.9	4.0	4.2	4.4	4.5	4.6	4.8	4.9	5.1	
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	1.0	-2.0	-1.6	-2.6	-2.7	-2.8	-2.9	-3.0	-3.1	-3.2	
Net capital expenditure	-4.0	-4.0	-4.0	-4.4	-4.5	-4.7	-4.8	-4.9	-5.1	-5.2	
Free cash flow	7.1	5.5	7.1	5.1	5.4	5.7	6.1	6.4	6.8	7.2	
Present values	6.6	4.7	5.5	3.5	3.4	3.3	3.2	3.0	2.9	2.8	36.6
Present value Phase 1	16.8										
Present value Phase 2	22.1										
Present value Phase 3	36.6										
Total present value	75.5										
+ Excess cash/Non-operating assets	34.4										
+ Investment properties											
- Financial debt	-24.4										
Fair value of equity	85.5										
Number of shares (m)	6.6										
Fair value per share (EUR)	12.95										

Risk free rate	3.50%	Target equity ratio	51.6%
Equity risk premium	6.00%	Beta (fundamental)	1.80
Debt risk premium	2.75%	WACC	9.81%
Tax shield	20.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	8.8%	13.72	14.17	14.68	15.27	15.97
	9.3%	12.96	13.33	13.76	14.25	14.81
	9.8%	12.28	12.59	12.95	13.36	13.83
	10.3%	11.67	11.94	12.25	12.59	12.98
	10.8%	11.12	11.36	11.62	11.91	12.24

Source: CBS Research AG

The company

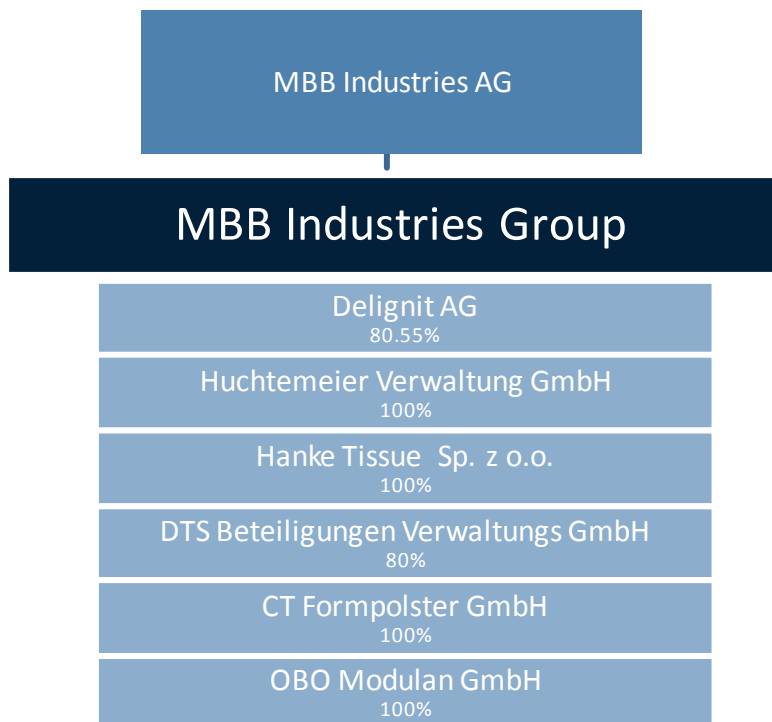
Short company profile

MBB Industries AG is a medium-sized industrial holding company, which together with the companies in its portfolio, forms the MBB Industries Group.

MBB Industries AG is an investment company which focuses on German medium-sized companies. It purchases, develops and sells holdings in medium-sized industrial companies and focuses on companies that traditionally occupy a strong position on the market and offer long-term growth potential. The current portfolio of the MBB Group comprises three profitable market segments with a consolidated revenue of 116.6m EUR for 2009.

Focuses on German medium-sized companies

Company structure



Source: MBB Industries AG, CBS Research AG

Company milestones

MBB Industries was founded by Dr. Christof Nesemeier and Gert-Maria Freimuth. Their joint business career began in 1995, with the formation of Nesemeier & Freimuth GmbH in Berlin. From the beginning, their goal was to acquire, manage and sell medium-sized companies.

The name of the present day public limited company originates from 1997, when the company MBB Gelma Industrieelektronik GmbH, a former subsidiary of Messerschmitt-Bölkow-Blohm, was acquired from Daimler-Benz Aerospace AG.

MBB has performed a number of acquisitions via its predecessors MBB Gelma Industrieelektronik GmbH and MBB Capital GmbH, which both were in the possession of Dr. Christof Nesemeier and Mr. Gert-Maria Freimuth. In 2005 MBB Industries AG was founded by bringing together the till then acquired holdings.

The holdings that were bought between 2003 and 2007 mostly belong to the current portfolio, the companies bought before 2003 have been sold again. Therefore we will focus on the most important transactions in the more recent years.

Anton Breitkopf, Klaus Seidel and Dr. Philipp Schmiedel-Blumenthal joined the MBB Industries team in 1998, 1999 and 2002 respectively, and have since then continually pooled their years of joint experience and success to further the development of the MBB Industries business model.

Company Milestones

2003	<ul style="list-style-type: none"> • Acquisitions: <ul style="list-style-type: none"> ➢ OBO Werke GmbH & Co. KG (100%), consolidation: August 2005 ➢ Blomberger Holzindustrie B. Hausmann GmbH & Co. KG (81.1%), consolidation: August 2005 ➢ S.C. Cildro S.A. (subsequently stocked up to 93.94%, consolidation: 2005)
2005	<ul style="list-style-type: none"> • Aug/Sep: Inception of MBB Industries AG
2006	<ul style="list-style-type: none"> • Acquisitions: <ul style="list-style-type: none"> ➢ Huchtemeier Line ➢ Hanke Tissue Sp. z o.o. • Investment and Exit: DOREG Dortmunder Recycling GmbH (50%) • May: shares of MBB listed on Frankfurt Stock Exchange in the Entry Standard
2007	<ul style="list-style-type: none"> • Acquisition: <ul style="list-style-type: none"> ➢ Reimelt Henschel Group (100%) • Exit of holdings : recycling division of Huchtemeier (85%) • June: MBB Industries Management purchases 100,000 of its own shares from an institutional investor, which leaves the management with an indirect shareholding of 70% • Delignit AG IPO, capital increase. Inclusion of participation in Blomberger Holzindustrie B. Hausmann GmbH & Co. KG (partially) and S.C. Cildro S.A. (wholly)
2008	<ul style="list-style-type: none"> • June: Shares began trading in the regulated market in the Prime Standard segment of the Frankfurt Stock Exchange. • June: Acquisition: <ul style="list-style-type: none"> ➢ DTS Systeme (80%)
2009	<ul style="list-style-type: none"> • May 5: Exit of holdings : Reimelt Henschel Group
2010	<ul style="list-style-type: none"> • Jan: Acquisition: <ul style="list-style-type: none"> ➢ CT Formpolster GmbH (100%)

Source: MBB Industries AG, CBS Research AG

Founders

MBB Industries AG founded in 2005...

...but predecessors were already active in acquisitions and exits

Management extended

Shareholder structure

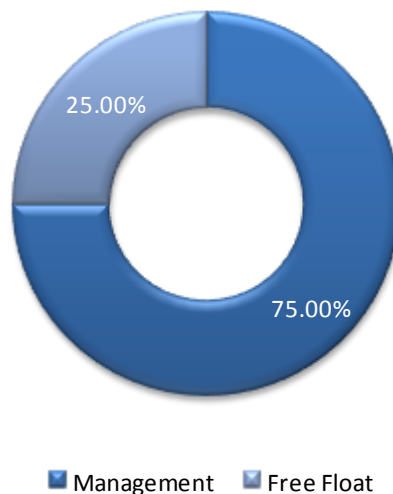
Ever since its inception, the company has been majority-owned by its founders, Dr. Christof Nesemeier and Gert-Maria Freimuth (together approx. 71% of shares) while Anton Breitkopf and Dr. Philipp Schmiedel-Blumenthal also have shares in the company, which implies that the management holds around 75% of the equity capital.

The remaining 25% is free float and can be attributed almost solely to institutional investors. The shareholder structure is depicted in the chart below.

Management owns approx. 75% of shares...

...whilst 25% is Free Float

Shareholder structure



Source: MBB Industries AG, CBS Research AG

Management team

Dr. Christof Nesemeier
Chief Executive Officer

Dr. Christof Nesemeier was born in 1965. As chief executive officer of MBB Industries, he is responsible for the strategic orientation of the company. Within the management team, he is also responsible for corporate finance and investor relations. Dr. Nesemeier studied economics at the University of Münster and obtained his doctorate from the University of St. Gallen in Switzerland. Until 1996, he was a member of the management team of an international management consultancy. Dr. Nesemeier is chairman of the board of directors of Delignit AG and member of the board of directors of the InVision Software AG.

Dr. Christof Nesemeier (CEO)

Gert-Maria Freimuth
Chief Investment Officer

Gert-Maria Freimuth was born in 1965 and is a member of the board at MBB Industries. He is the head of mergers & acquisitions and is also responsible for legal matters and group corporate identity. Gert-Maria Freimuth studied economics and Christian social ethics at the University of Münster. Until 1994, he worked in the corporate finance department of the Price Waterhouse auditing and consultancy company. Between 1994 and 1996, he was a member of the management at BDO Structured Finance GmbH. Mr. Freimuth is a member of the board of directors of Delignit AG.

Gert-Maria Freimuth (CIO)

Dr. Philipp Schmiedel-Blumenthal
Chief Operations Officer

Dr. Philipp Schmiedel-Blumenthal was born in 1972. He is a member of the board and is also responsible for holdings management. He studied economics at the European Business School (ebs) in Oestrich Winkel and obtained his doctorate from the Leipzig Business School (HHL). Until 2001 he was an investment manager at Pricap Venture Partners AG / Thomas J.C. Matzen group. Since 2002, he has been working for MBB Industries.

Dr. Philipp Schmiedel-Blumenthal
(COO)

Dr. Christof Nesemeier, Gert-Maria Freimuth and Dr. Philipp Schmiedel-Blumenthal are members of the management board.

The management team further comprises of **Anton Breitkopf** and **Klaus Seidel**, who each hold the position of Executive Vice President and have been with MBB Industries since many years.

Supervisory board

The supervisory board consists of three members. **Dr. Peter Niggemann** (chairman), who is partner in the Freshfields Bruckhaus Deringer legal firm in Düsseldorf. **Dr. Jan C. Heitmüller** (deputy chairman) was a private equity manager at Lindsay Goldberg Vogel in Düsseldorf and has more than ten years experience in industry and management consulting. As an investor he focuses on undervalued private or public companies. **Dr. Matthias Rumpelhardt** (member of board) is the managing shareholder of the medium-sized holding group Dacapo Beteiligungs GmbH, whose main activities are in the field of media in Europe.

Portfolio

MBB Industries currently consists of the following **lines**

- Delignit
- Huchtemeier
- Hanke
- DTS Systeme
- OBO
- CT Formpolster

in the three **segments**

- Technical Applications
- Industrial Production
- Trade & Services

which employ over 1,200 people both in Germany and abroad.

The segments are defined as follows:

Technical Applications: This segment comprises those holdings whose business model is based to a large extent on customer specifications, and for which company expertise and consultancy services form a considerable proportion of the service performed. The Delignit business group belongs to this segment.

Technical Applications

Industrial production: This segment comprises those holdings whose primary strengths lie in the manufacture of products which are relatively standardised. Accordingly, the Hanke and OBO Holdings are classified as belonging to this segment.

Industrial Production

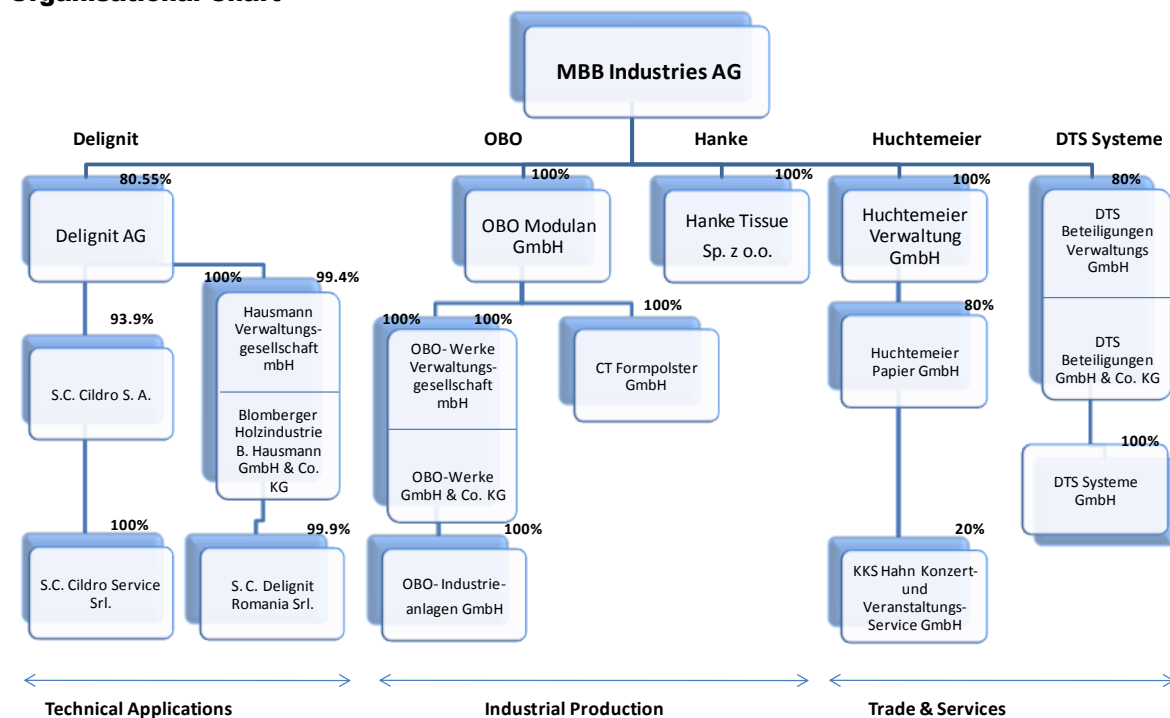
Trading & Services: This segment comprises those holdings in the MBB portfolio who perform specialised services for their customers without conducting any production of their own, or who conduct trading services. The holdings in this segment are DTS and Huchtemeier.

Trading & Services

The goal is to effect a significant growth in profit for MBB Industries by building its portfolio and performing sustained value development of the component companies.

In the following paragraphs we give a short overview and description of the six different investments currently held by in its portfolio, covering a whole set of sectors which compensates for risks by diversification. The table below lists the investments which MBB currently holds in its portfolio.

Organisational Chart



Source: MBB Industries AG, CBS Research AG

Delignit (80.55%)

The Delignit Group develops, produces, and markets ecological products based on wood. In its capacity as a development, project, and series provider for such technology sectors as the automotive, railway and aviation industry, the Delignit Group focuses its activities on developing and executing technological and customized applications and systems based largely on beechwood, Delignit’s main resource. In contrast to many other raw materials, wood is CO₂ neutral throughout its life and hence ecologically superior. Using Delignit materials as a substitute for applications based on non-renewable raw materials thus improves customers’ environmental performance and fulfils their continually rising ecological requirements.

Besides the AUTOMOTIVE (accounting for around 50-60% of revenues) and TECHNOLOGICAL APPLICATIONS divisions, the operating business of the Delignit Group also comprises a VENEER division that includes S.C. Cildro S.A., a company specialized in sliced veneers. Delignit was founded over 200 years ago and owned by the founding family until it was acquired by MBB Industries AG in 2003. Today, the Delignit Group has around 730 employees in both Germany and Rumania. The remaining stake (19.45%) is free float.

Development, production and marketing of ecological products based on wood

Automotive, Technological Applications and Veneer divisions

Huchtemeier (100%)

Huchtemeier is an international paper trading company. In addition to its specialty papers and tissue semi finished products for the paper converting industry, it also markets hygiene paper products and napkins for wholesalers and retailers. Huchtemeier has a long history of trading in paper dating back more than a hundred years. The company was still 100% family owned at the time that it was acquired by MBB Industries. The main focus of activity at Huchtemeier Papier GmbH is in Dortmund, Germany.

International paper trading company

Hanke (100%)

Hanke produces raw tissue wadding and napkins. Operating under the brand name of "aha", it maintains a strong competitive position in the East European consumer goods market. It holds high market shares in Poland and Ukraine. It also produces white and coloured tissue for many private-label suppliers throughout Europe. The Polish company Hanke Tissue Spółka z o.o. in Kostrzyn, Poland constitutes the core of the company's activities. Hanke sales revenues are divided almost equally between Eastern Europe (under its own brand name) and Western Europe (mainly project-oriented).

Due to its positive operational development, Hanke Tissue is constructing a new logistics centre with a total area of 3,500 square meters, including a high storage shelf system for 2,500 pallets of finished product. In total, investments in 2009 and 2010 amount to approx. EUR 6m. Office space for the administrative department will also be incorporated in the new complex.

In March 2009, Hanke was one of two companies in Poland to win the "EU Standard 2009" prize, awarded by "Grupa Media Partner". The jury awarded Hanke Tissue the "EU Standard 2009" prize in recognition of the company's high international standards, which it maintains in its business activities and products as well as its customer relations. The award recognises not only the high quality of its paper products but also the company's extraordinary innovative strength.

Hanke, having an EBIT-margin of nearly 20%, is MBB's pearl within its holding companies.

DTS Systeme (80%)

DTS Systeme is an IT infrastructure provider specialising in such fields as IT security, storage, and virtualisation. The company offers a wide variety of Internet services from its TÜV-certified data-centre in Herford, while maintaining regional sales offices in the cities of Bochum, Bremen and Hannover. The business model comprises consultancy services, conceptual design, procurement, and the implementation and operation of IT environments. DTS was founded in 1983, until acquisition by MBB Industries AG (consolidation of DTS Systeme as of June 26, 2008) it was part of a regional group of companies.

Over the past 25 years, DTS has become well established in the East Westphalia-Lippe region, where it has developed into a market leader in the IT services industry. It maintains solid partnerships to both customers and suppliers.

The MBB management board is convinced that DTS possesses solid foundations for sustainable value enhancement as only a small number of competitors supply the same specific technical expertise and range of services most of which are currently experiencing increasing demand as they offer customers most valuable cost cuts. Furthermore, focussing on data-centre-services will allow the business to grow beyond its traditional regional boundaries and even become an international operation.

Production of raw tissue wadding and napkins

Strong competitive position

New construction center

Hanke awarded for quality and innovation

IT infrastructure provider

Regional market leader

Obo (100%)

OBO is an internationally active supplier of polyurethane board and block materials for use in model, mould and tool construction. The majority of OBO's customers are model shops in the automotive industry. The core of its business activity takes place at the plant at the OBO-Werke GmbH & Co. KG in Stadthagen, Germany. The board material is distributed worldwide under the established trademark obomodulan®.

Internationally active supplier of polyurethane board and block materials

CT Formpolster (100%)

CT Formpolster GmbH produces polyether foams with a variety of technical attributes. Its customers are based in various segments, including the mattress industry, upholstered furniture producers, caravan makers and vehicle manufacturers. A certain proportion of the production is sold in block form. The foams produced conform with the Oeko-Tex 100 standard, recognised throughout the world. The product range also includes foam articles manufactured from renewable raw materials.

Production of polyether foams

Following acquisition, the business will operate under the name of CT Formpolster GmbH, as an independent company within the OBO group, where it will reinforce the industrial production segment.

The OBO group sees considerable synergetic potential in its cooperation with CT Formpolster GmbH, not only in terms of raw material purchasing but also with respect to its development activities, since both manufacturing operations use similar production procedures and raw materials.

Synergies with OBO group

The CT Formpolster GmbH is part of the MBB-group starting from January 1, 2010.

Strategy

“BUY AND BUILD”

MBB AG is an industrial holding company with a focus on German medium-sized companies. The Company specializes in purchasing majority shareholdings in medium-sized industrial companies with revenues of more than EUR 10m and significant value growth potential. Unsolved succession of ownership, financing or earnings problems, as well as plans for partial sell-offs from groups are ideal opportunities for MBB AG.

The objective is to sustainably increase the value of each of the portfolio companies and MBB AG is not bound to sell its investments. One of the options while participating is to retain an investment within the MBB portfolio, provided revenues are sustainable.

Investees not only receive capital from MBB AG, but also gain access to management expertise.

MBB AG actively supports its portfolio firms in all business matters through hands-on management. The broad spectrum of services which MBB AG provides are to be seen in the table below.

Focus on German medium-sized companies

Objective is sustainable value increase

Portfolio companies supported through hands-on management

Services of MBB AG

	Project Team	Operational Management	Investment Controlling
People	<ul style="list-style-type: none"> • MBB Team • Management of the portfolio company • External resources (if required) 	<ul style="list-style-type: none"> • Management of the portfolio company • MBB manager acting as mentor • MBB executive officers 	<ul style="list-style-type: none"> • MBB Corporate Finance • Management of the portfolio company
Project Team	<ul style="list-style-type: none"> • Realisation of optimisation potential • Improving the structure of financing • Implementation of strategic value enh. concept 	<ul style="list-style-type: none"> • Implement value growth • Organic growth • Stimulate growth through buy & build • Create strong competitive position • Use synergies with existing holdings 	<ul style="list-style-type: none"> • Daily Controlling(DAC) Daily reporting of vital business data • Business Controlling (BUC) Monthly budget check and forecast • Management Reports (RAP) • Project Controlling (PUC)

Source: MBB Industries AG, CBS Research AG

Business Model

The three phases of the MBB AG business model are acquiring, managing and selling of business holdings. The aim is to generate value growth in each of these stages.

Phases of business model



Source: MBB Industries AG, CBS Research AG

Acquisition

The search for new interests is pursued following a standardised procedure, which is subject to constant review. This ensures the rapid, systematic, and precise selection of attractive new holdings.

The time of acquiring holdings is favourable in conditions in which target companies are undergoing successorship problems, or they are having financing difficulties; it can also ensue from plans by industrial groups to sell off individual units. MBB Industrie's main focus is on industrial companies, whereby it does not restrict itself to certain industries. The most decisive factor of its success is the ability to identify companies with value growth potential, and to acquire these at favourable prices.

Ideally, MBB Industries will take on the responsibility for a company's employees, management, markets, customers and suppliers from the former shareholder as well as taking on the role of the new portfolio company in the region. Since the trust placed in MBB Industries is a highly important factor of its success, the company also moulds its activities in accordance with the personal preferences of the seller.

The flexibility of MBB Industries concerning the continued involvement of the former management and/or former owner following the acquisition has proven to be a very valuable asset when purchasing companies. This involvement can take the form of granting shares in the company and/or the offering of certain positions in the respective portfolio company. MBB Industries is quite open to the idea of former managing shareholders pursuing a continued interest in an involvement in the company, for example as chairman of the advisory council.

**Main focus in on
German Mittelstand
industrial companies**

**MBB Industries takes
on responsibility for
the holding**

Holdings Management

Once the acquisition has been finalised, the new portfolio company comes under the wing of the MBB Industries holdings management department. This comprises three sub-sections: the project team, operative management, and controlling. The aim is to effect a sustained increase in the value of each of its portfolio companies.

Project team: Immediately following the takeover, the project team focuses on implementing fast acting cost-saving measures. This is followed by measures geared towards liquidity optimisation, designed to ensure the long-term financing of the portfolio company. The project team devises a strategy aiming at a sustained rise in the value of MBB Industrie's holdings. In general, the activities of the company are centred on business areas that offer the most promising potential. Any business areas that do not fit in with the strategy are either sold off or closed down.

Project team

Operative management: One of the managers from MBB Industries supports the company's existing management. This allows the portfolio company to profit from the many years of experience that the managers of MBB Industries have when it comes to developing companies and running them with professional management. The operative management is responsible for ensuring the successful organic growth of the portfolio company and also functions as the contact for various interest groups. It implements the measures plan devised by the project team and identifies suitable candidates for acquisition through a 'buy and build' strategy. It performs the necessary preparations for their acquisition. The M&A expertise which MBB Industries possesses is particularly valuable in pursuing this strategy.

Operative management

Controlling: The success of the portfolio companies is controlled by the holding company. This comprises two essential components. First of all, it implements business controlling (BUC) to monitor ongoing business activities. It also follows the progress of the optimisation measures put into place by the project team in the form of ongoing project controlling (PUC).

Controlling

Fees are charged to the portfolio companies for MBB Industrie's management services.

Sale of Holding

MBB Industries does not specify a particular lockup period for its holdings. A holding is only sold if a potential buyer offers a price that in MBB's estimation exceeds the value growth potential that it would be able to implement.

No specific lockup period

The MBB Industries holdings management does not actively pursue sales during phases of high value growth potential, but if a potential buyer expresses his interest, the conditions are examined. The longer a holding is retained and its potential tapped into, the more its rate of value growth from the perspective of the holdings management falls. The logical consequence of this is that the probability of the holding being offered for sale then increases.

Market environment

When describing the market environment for MBB AG it is important to look at it from two perspectives. Whilst it is necessary to analyse the market that the holding company directly operates in, more vital to the company’s success are the markets in which the portfolio companies operate. Therefore we will look at the “market” in two tiers.

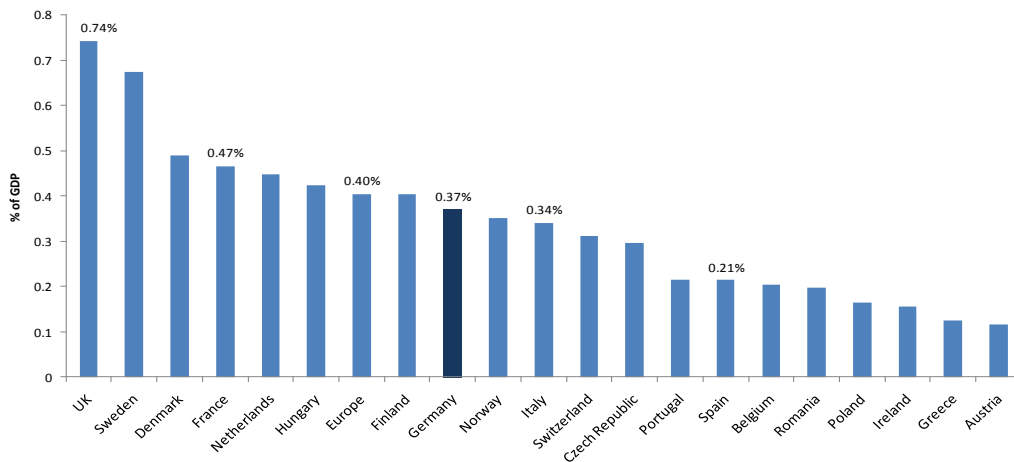
Tier 1

- **Private Equity Market**

The Private Equity (PE) sector in Germany is substantially less developed than other comparable industrialized international markets in both absolute and relative terms (PE as a percentage of GDP). With a percentage of approx. 0.4% of GDP it is still massively lagging behind a more developed PE market such as that of the UK.

PE market less developed in Germany

PE Investments as % of GDP in 2008



Source: PEREP_Analytics, CBS Research AG

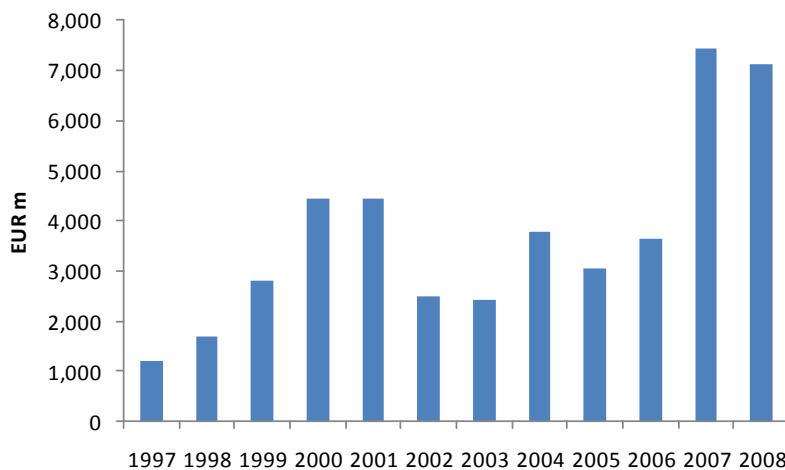
A striking feature of the German PE market is that the large investments in Germany are made not by German funds, but by pan-European or global managers. In this respect, German private equity is frequently associated with investments in small and medium-sized companies. Especially attractive for the PE industry is the fact that Germany still has a widely diversified industrial base with many family owned SME companies being “hidden champions” in their respective business segments.

Germany has many industrial SME companies

PE investment in Germany more than doubled from EUR 3bn in 2005 to almost EUR 7.5bn in 2007 but has then started to feel the impact of the financial crisis in 2008. Investment further experienced quite a decline in the first three quarters of 2009 but has then started to recover with a clear upwards trend.

According to the German Private Equity and Venture Capital Association (BVK) market conditions are expected to ease in 2010.

Private Equity Investments in Germany



Source: BVK, CBS Research AG

- **German investment market**

MBB was active only in the German investment market. Any foreign portfolio companies joined the MBB Group as subsidiaries of their German parent companies. MBB’s selection focuses on profitable niche market players with turnover in excess of EUR 10m and majority holdings of > 75%.

According to the German Federal Statistical Office (2009), there are 40,340 companies with revenues of more than EUR 10m in Germany alone. MBB concentrates on acquiring companies in this revenue segment. According to a survey of the Institute for SME Research (Institut für Mittelstandsforschung) the number of companies going on sale in the course of a corporate succession is set to increase significantly in the future.

Furthermore, banks act cautiously and more restrictively in regard to debt facilities and lending. Hence, companies will face a greater level of inflexible financing options. However, this does not exclude private equity businesses: difficult refinancing of the private equity business model is creating an increasing number of transaction opportunities for MBB.

A high risk of insolvency for small and mid-cap enterprises persists. Under these special situations companies can be acquired under their fair values, making acquisition opportunities more attractive for MBB AG.

The market for investment companies is characterized by intense competition. Especially private equity companies play a greater role in company acquisitions. However, the segment of German Mittelstand companies with a turnover of EUR 10 m and EUR 100m is too small for internationally operating private equity houses, competition is less in this segment.

Here, the competing bidders are strategic investors, specialised investment houses and restructuring consultancies.

Therefore it would not be wholly appropriate to claim that the relevant market for MBB AG is the private equity one. The following diagram makes it clear in which niche market segment MBB AG actually operates.

Active in German investment market

Number of target companies increasing

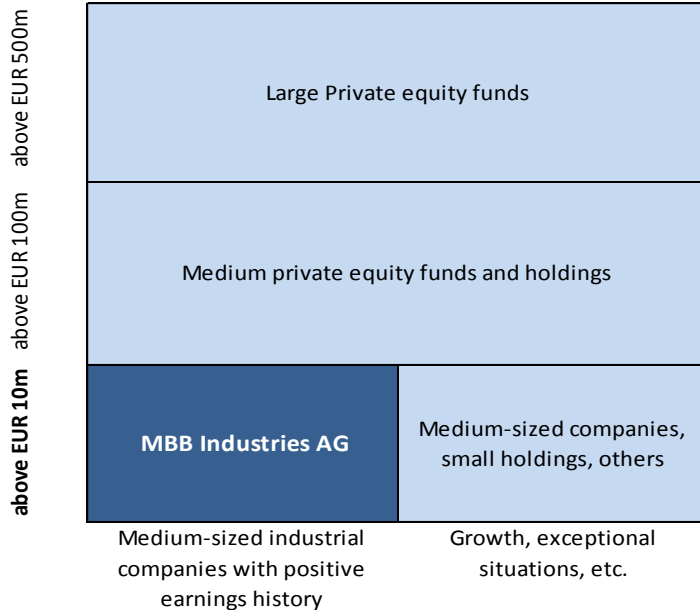
Hard times for PE competitors

Attractive acquisition opportunities

MBB AG is a niche-market player

MBB Market Segment

Turnover
per co.



Source: MBB Industries AG, CBS Research AG

Tier 2

• **Markets of the portfolio companies**

The business activities of MBB’s holding companies, all of which are industrial SME, are dependent on the state of the economy and behave pro-cyclically. According to the company, MBB generates revenues within the following industry sectors:

- Automotive industry c. 15%
- Consumer goods industry (tissue) c. 30%
- Furniture industry (mattresses, plywood) c. 25%
- IT Services c. 17%
- Others 13%

We want to provide a short overview on MBB’s markets:

Automotive Industry

In terms of vehicle production, research institute CSM claims that many manufacturers will be forced to rebalance their production as the pullback in government incentives puts the brakes on consumer demand.

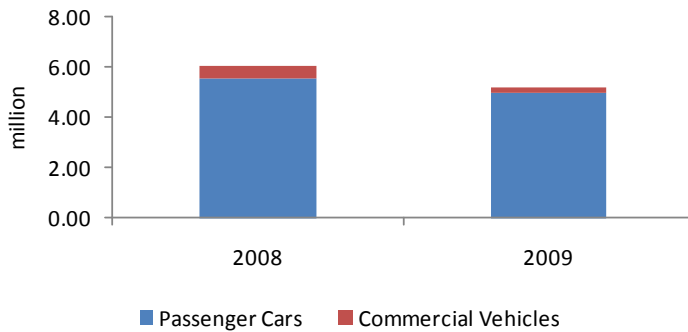
Production will be buoyant from 2011E

However, overall, vehicle production is believed to be more resilient than demand. Automakers sharply cut their production in late 2008 and 2009 at the same time scrappage programs in Germany, France and other countries were successfully driving sales. Many manufacturers can rebuild inventory, but they should do this with caution since consumers are still feeling the impact of the recession, and the reversion to more normal demand levels is still to come.

Many manufacturers already adjusted inventories downward...

CSM estimates that production levels in 2009 were 16.3 million units, down 20.3% compared with 2008. The outlook for 2010 is expected to see output levels constrained to 16.2 million units, a further 0.9% decline.

Automobile Production in Germany



Source: VDA, CBS Research AG

In Germany, production patterns were similar to those of Western Europe. Between 2008 and 2009 total automobile production fell from 6.05m to 5.21m. Passenger car production experienced a moderate decline from 5.53m in 2008 to 4.96m in 2009 whilst commercial vehicle production more than halved from around .514m in 2008 to .245m in 2009.

However, we believe that now the worst is over and that production will gradually pick up again. According to the president of the German Association of the Automotive Industry (VDA) the mood in the automotive industry is improving markedly, especially when it comes to exports, because the German automotive industry will participate greatly in the dynamic development on the growth markets. The production of commercial vehicles (up to 6t) in Germany rose by 52% in 1Q 2010.

Early positive impulses can also be felt when looking at the sales figures of Mercedes-Benz Vans just released by Daimler, a global market player in LCVs (light commercial vehicles). Sales in 1Q 2010 amounted to EUR 1.7bn, which is a 31.7% increase compared to a year earlier.

Consumer goods Industry

To get a feeling for the development in the consumer goods sector we have looked on the development of GDP and private consumption. MBB's main regional market is Poland (Tissue of Hanke).

Poland: GDP and private consumption

Percentage changes	2009	2010E	2011E
GDP at market prices	1.4%	2.5%	3.1%
Private consumption	3.2%	1.4%	1.4%

Source: OECD, CBS Research AG

The table above indicates that the demand for consumer products should rise in the single-digit area. As said, Hanke maintains a strong competitive position in the East

In Germany, total automobile production fell between 2008 and 2009...

...but the worst seems to be over

Positive impulses from LCV producers

2010: Increase in the single-digit area ...

...but Hanke to perform much better

European consumer goods market. With its clear focus on raw tissue wadding and napkins, the company should outperform the market.

The next table shows estimations for the GDP and private consumption in Germany in the next two years. The economy is expected to recover in 2010 following the impact of the financial crisis.

Germany: GDP and private consumption

Percentage changes	2009	2010E	2011E
GDP at market prices	-5.0%	2.1%	1.3%
Private consumption	0.4%	-0.9%	-0.2%

Source: Feri Euro Rating Services AG, CBS Research AG

Furniture Industry

According to the VDM (Verband der Deutschen Möbelindustrie) the turnover of the German woodworking industry has fallen by 12.2% in 2009. In total, the industry sold products worth EUR 28.7bn (EUR 31.1bn in 2008). The furniture sector suffered a downturn of 11.5% to EUR 15.4bn in Germany.

2009: -11.5%

The executive of the association, Dirk-Uwe Klaas, explains that the worst is over in the industry. He expects a sales development for 2010 ranging from -3% to +3%. With effect of 1 January 2010, German employees and families are disburdened by EUR 20bn (e.g. change of tax progression, child allowance). Hence, we believe in a slight sales increase of the German furniture industry.

2010: a recovery likely

IT Services Industry

According to research institute EITO, the German IT market dropped by 5.4% in Germany. The shortfall was mainly caused by the Hardware segment which fell by 10.6%. As Windows 7 was introduced very late in 2009, the Software segment could not compensate for the poor development in the hardware division.

Hardware sector weak in 2009

EITO assumes an increase of 1.4% for the German IT market in FY 2010, mainly in the second half of the year.

IT market to rise in 2010

Financials

Development of sales and earnings

For the current business year we expect sales of MBB to rise by 3.7% to EUR 120m and group EBIT to climb to EUR 6.8m (+13%). A more detailed look on segments and its companies shows the key drivers. Please keep in mind that the following figures do not include allocated holding costs.

a) Technical Applications

Reimelt-Henschel was sold in 2Q 2009 and therefore does not deliver any contributions to the current business year. In contrast, sales of Delignit should rise by at least 20% to EUR 30m, as a recovery in the production of light commercial vehicles is visible. We estimate its EBIT-margin rising to 5% from a black zero.

b) Industrial production

Hanke's revenues should rise to EUR 21m as the company will improve its position in the Polish and Ukrainian market. Hanke is by far the most profitable company in the MBB group. We estimate an EBIT-margin of 19% in the current business year. OBO, which is dependent from the automotive sector, too, should grow by 25% to EUR 8m. We expect a slight improvement of its EBIT-margin to 6%. For CT Formpolster, we expect revenues of EUR 22m and an EBIT of EUR 1.1m

c) Trading & Services

IT specialist DTS should benefit from the improved environment in the soft- and hardware industry. Recently Intel Corp. reported an excellent 1Q 2010 (Sales +44% yoy). We estimate sales rise to EUR 23m with an EBIT-margin of 5%. Huchtemeier should benefit from the general recovery of the economy. We forecast a sales increase of 16% to EUR 18m. Huchtemeier – being an international paper marketing and distribution group – traditionally has the lowest margins in the MBB group – we estimate 3.0%.

**A rise of sales
expected**

**Delignit the only
company in the TA
segment**

Hanke highly profitable

**DTS should benefit
from a rising demand
for IT Services**

Holdings**Outlook on holding companies**

in EUR m	2009E	2010E	2011E	2012e
Technical applications				
Sales				
Delignit	24.7	30.0	35.0	38.0
Reimelt-Henschel	35.0	0.0	0.0	0.0
	59.7	30.0	35.0	38.0
Technical applications				
EBIT				
Delignit	0.1	1.5	1.9	2.7
Reimelt-Henschel	3.8	0.0	0.0	0.0
	3.9	1.5	1.9	2.7
Industrial Production				
Sales				
Hanke	17.0	21.0	24.0	26.0
OBO	6.4	8.0	10.0	11.0
CT Formpolster	0.0	22.0	23.0	25.0
	23.4	51.0	57.0	62.0
Industrial Production				
EBIT				
Hanke	3.0	4.0	4.6	4.2
OBO	0.3	0.5	0.7	0.8
CT Formpolster	0.0	1.1	1.4	1.8
	3.3	5.6	6.6	6.7
Trading&Services				
Sales				
DTS	20.0	23.0	25.0	27.0
Huchtemeier	15.5	18.0	20.0	22.0
	35.5	41.0	45.0	49.0
Trading&Services				
EBIT				
DTS	0.6	1.2	1.4	1.6
Huchtemeier	0.2	0.5	0.6	0.8
	0.8	1.7	2.0	2.4

Source: MBB Industries, CBS Research AG

The table below shows that the "Industrial Production" segment is the dominating division for MBB: Due to the first time consolidation of CT Formpolster, we estimate revenues amounting to 42% in the current fiscal year. Its contribution to EBIT is at 82%, caused by the high profitability of the Hanke company.

For FY 2010 and the next years we estimate holding costs of EUR 2m per year.

**Industrial Production
the most important
segment**

Segments

Outlook on segments

in EUR m	2007	2008	2009E	2010E	2011E	2012e
Sales						
Technical applications	73.3	143.6	59.7	30.0	35.0	38.0
Industrial production	28.2	27.3	23.4	51.0	57.0	62.0
Trading Services	13.4	29.0	35.5	41.0	45.0	49.0
Consolidation	-0.5	-0.5	-2.0	-2.0	-2.0	-2.0
Group	113.6	199.3	116.6	120.0	135.0	147.0
% of sales						
Technical applications	64%	72%	51%	25%	26%	26%
Industrial production	25%	14%	20%	43%	42%	42%
Trading Services	12%	15%	30%	34%	33%	33%
Consolidation	0%	0%	-2%	-2%	-1%	-1%
Group	101%	100%	102%	102%	101%	101%
EBIT						
Technical applications	7.0	12.5	3.9	1.5	1.9	2.7
Industrial production	2.7	1.9	3.3	5.6	6.6	6.7
Trading Services	-1.4	1.7	0.8	1.7	2.0	2.4
Consolidation	6.1	-1.6	-2.0	-2.0	-2.0	-2.0
Group	14.4	14.4	6.0	6.8	8.5	9.7
EBIT margin						
Technical applications	9.5%	8.7%	6.5%	5.0%	5.5%	7.0%
Industrial production	9.7%	6.8%	14.1%	10.9%	11.6%	10.8%
Trading Services	-10.7%	5.9%	2.3%	4.1%	4.4%	4.9%
Group	12.6%	7.2%	5.1%	5.6%	6.3%	6.6%
% of EBIT						
Technical applications	49%	87%	65%	22%	23%	27%
Industrial production	19%	13%	55%	82%	78%	69%
Trading Services	-10%	12%	13%	25%	23%	25%
Consolidation	42%	-11%	-33%	-30%	-24%	-21%
Group	100%	100%	100%	100%	100%	100%

Source: MBB Industries, CBS Research AG

Regarding MBB's regional sales development, we do expect significant changes:
The most important market is Europe with revenues amounting to more than 70%

Regional Breakdown

Geographical Breakdown in EURm	2007	2008	2009E	2010E	2011E	2012E
Sales						
Europe	97.8	142.2	82.2	85.2	97.2	107.3
USA	6.8	14.5	7.6	7.2	9.5	11.8
Asia	5.7	0.9	2.3	4.8	7.4	10.3
Others	3.4	41.7	24.5	22.8	20.9	17.6
Total	113.6	199.3	116.6	120.0	135.0	147.0
Proportion of group sales						
Europe	86.0%	71.3%	70.5%	71.0%	72.0%	73.0%
USA	6.0%	7.3%	6.5%	6.0%	7.0%	8.0%
Asia	5.0%	0.5%	2.0%	4.0%	5.5%	7.0%
Others	3.0%	20.9%	21.0%	19.0%	15.5%	12.0%
Total	100%	100%	100%	100%	100%	100%

Source: MBB Industries AG, CBS Research AG

FY 2009 ...

MBB already released some key figures for the past business year. Company's annual report is to be published on 30 April.

MBB's consolidated revenue for last year was EUR 116.6m compared with EUR 199.3 in 2008. Profit for the year was EUR 3.5m compared with EUR 8.0m in 2008. Although the drop in revenue and earnings was partly due to the prevailing economic conditions at the time, it was largely the result of the sale of the Reimelt-Henschel group in the second quarter of 2009. EPS for 2009 were 54 cents, compared with EUR 1.22 in 2008. The high level of cash equivalents in the group of EUR 10.7m on 31.12.2009, including physical gold reserves – we estimate EUR 1m - was due to the sale of the Reimelt-Henschel group, and represents an improvement with respect to the previous year's closing date, when net financial debts were stated. Equity capital rose to EUR 55.6m with a liquidity level, including physical gold reserves, of EUR 35.3m; the capital ratio is 54.5%.

The managing board and board of directors decided to propose a dividend of 50 cents per share at the company's annual general meeting held on June 30, 2010. The aim of the dividend is, on the one hand, to express the constancy in the company's dividend policy with respect to previous years with 25 cents per share, and on the other hand, to allow the shareholders to participate in the successful sale of the Reimelt-Henschel group in 2009, in the form of a once-only 25 cent dividend increase.

Cash and cash equivalents in the group holding company, MBB Industries AG, was EUR 28.4m (net) as of 31.12.2009, representing a solid foundation upon which to continue the growth of the group through company acquisitions. The managing board is forecasting a revenue of EUR 120m for the year 2010 with its existing holding portfolio and an increase in the level of earnings compared with the previous year, based on the assumption that the underlying economic conditions for 2010 have improved.

... and key assumptions for 2010ff

We expect a slight increase of sales to EUR 120m with EBIT-margin arising to 5.6% (2009E: 5.1%). Capex as well as depreciation should amount to EUR 4m (also for the next financial years). Given a higher payout-ratio (dividend at EUR 0.50), acquisition of CT Formpolster (we assume EUR 1m) as well as increased working capital requirements, cash and cash equivalents should amount to EUR 34.4m. For 2011E and 2012E we estimate a rise to EUR 37.7m and 42.1m, respectively. In our calculations we assumed a dividend per share amounting to EUR 0.27 (FY 2010) and EUR 0.35 in FY 2011.

MBB's most profitable holding Hanke runs its business in Poland and the Ukraine where it enjoys tax benefits due to subsidies for investments in special economic zones. Hence, management assumes a tax rate for the MBB group of 10%.

Please note: our future projections have been made with respect to the current portfolio and we therefore have not taken possible future acquisitions into account.

Some key figures already released

Divestment of Reimelt-Henschel delivers EUR 3.0m exit gain

Dividend yield at 6.9%

EUR 32.3m liquidity reserves in the holding

FY 2010: Sales at EUR 120m, improved EBIT-margin

Tax rate just 10%

Growth assumptions based on solely on organic factors

Appendix

Financials

MBB Industries AG

Profit and loss account

	IFRS	EURm	2007	2008	2009E	2010E	2011E	2012E
Sales			113.6	199.3	116.6	120.0	135.0	147.0
YoY growth				75.4%	-41.5%	2.9%	12.5%	8.9%
Income from removal			4.0	0.0	3.0	0.0	0.0	0.0
Work in process and finished goods			-1.0	1.3	2.2	2.0	2.0	2.0
Other operating income			13.2	8.5	4.2	2.0	2.0	2.0
Total revenues			129.9	209.1	126.0	124.0	139.0	151.0
COGS			-66.3	-123.0	-72.0	-69.6	-78.3	-85.3
in % of sales			-58.3%	-61.7%	-61.7%	-58.0%	-58.0%	-58.0%
Gross income			63.7	86.1	54.0	54.4	60.7	65.7
in % of sales			56.0%	43.2%	46.3%	45.3%	45.0%	44.7%
Personnel expenses			-27.6	-47.7	-32.0	-32.4	-35.1	-36.8
in % sales			-24.3%	-23.9%	-27.4%	-27.0%	-26.0%	-25.0%
Other operating expenses			-14.8	-18.8	-12.0	-11.3	-13.1	-15.3
EBITDA			21.3	19.6	10.0	10.7	12.5	13.7
in % of sales			18.7%	9.8%	8.6%	8.9%	9.2%	9.3%
Depreciation and amortisation			-6.9	-5.1	-4.0	-4.0	-4.0	-4.0
in % of total revenues			-5.3%	-2.5%	-3.2%	-3.2%	-2.9%	-2.6%
EBIT			14.4	14.4	6.0	6.8	8.5	9.7
in % of sales			12.6%	7.2%	5.1%	5.6%	6.3%	6.6%
Financial result			-1.6	-2.6	-1.3	-1.2	-1.1	-1.0
EBT			12.8	11.8	4.7	5.6	7.4	8.7
in % of sales			11.3%	5.9%	4.1%	4.6%	5.5%	5.9%
Taxes			0.7	-3.7	-1.2	-0.6	-0.7	-0.9
as % of EBT			5.8%	-31.1%	-25.7%	-10.0%	-10.0%	-10.0%
Net income including minorities			13.6	8.1	3.5	5.0	6.7	7.9
Minority interests			0.1	-0.1	0.0	0.0	0.0	0.0
Net income attributable to shareholders			13.6	8.0	3.5	5.0	6.7	7.9
in % of sales			12.0%	4.0%	3.0%	4.2%	4.9%	5.3%
Shares outstanding (in millions)			6.6	6.6	6.6	6.6	6.6	6.6
Earnings per share (EUR)			2.07	1.22	0.54	0.76	1.01	1.19

Source: CBS Research AG, MBB Industries AG

MBB Industries AG

Balance Sheet

	IFRS	EURm	2007	2008	2009E	2010E	2011E	2012E
Assets								
Noncurrent assets			53.3	55.4	44.2	45.3	45.3	45.3
as % of total assets			40.4%	39.6%	40.8%	41.5%	38.9%	36.6%
Intangible assets			2.4	8.1	8.8	8.8	8.8	8.8
Fixed assets			49.7	46.8	35.0	35.0	35.1	35.0
Financial assets			1.2	0.6	0.4	1.4	1.4	1.4
Current assets			73.9	83.2	63.0	62.6	69.9	77.2
as % of total assets			56.0%	59.5%	58.1%	57.4%	60.1%	62.4%
Inventories			21.8	25.9	13.5	13.8	15.8	17.1
Accounts receivables			25.2	32.2	14.2	14.4	16.4	17.9
Other receivables and other assets			0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents			26.9	25.1	35.3	34.4	37.7	42.1
Deferred taxes			4.7	1.3	1.2	1.2	1.2	1.1
Accruals and deferrals			0.0	0.0	0.0	0.0	0.0	0.0
Other assets			0.0	0.0	0.0	0.0	0.0	0.0
Total Assets			131.9	139.9	108.4	109.0	116.4	123.6
Shareholders' equity and liabilities								
Shareholders' equity			50.5	54.3	56.0	57.7	62.6	68.1
as % of total equity and liabilities			38.3%	38.8%	51.6%	52.9%	53.8%	55.1%
Capital stock			6.6	6.6	6.6	6.6	6.6	6.6
Capital reserve			15.3	15.3	15.3	15.3	15.3	15.3
Retained earnings			24.2	30.6	32.5	34.2	39.1	44.6
Currency translation effects			0.4	-1.6	-1.3	-1.3	-1.3	-1.3
Minorities			4.0	3.4	2.9	2.9	2.9	2.9
Noncurrent liabilities			23.6	27.3	18.2	17.1	17.4	17.7
as % of total equity and liabilities			17.9%	19.5%	16.8%	15.7%	15.0%	14.3%
Pension provision and other liabilities			3.4	3.4	2.0	2.1	2.2	2.3
Deferred taxes			7.4	6.1	4.1	4.1	4.2	4.2
Financial liabilities			11.5	16.8	10.8	10.9	11.0	11.1
Other liabilities			1.3	1.0	1.3	0.0	0.0	0.0
Current liabilities			57.8	58.3	34.2	34.2	36.4	37.8
as % of total equity and liabilities			43.9%	41.7%	31.6%	31.4%	31.2%	30.6%
Tax provisions			0.0	0.0	0.0	0.0	0.0	0.0
Other provisions			3.9	4.2	2.1	2.4	2.7	3.0
Financial liabilities			14.6	9.3	13.8	13.5	13.3	13.0
Trade accounts payables			12.1	18.9	10.5	12.0	13.7	14.9
Received prepayments			6.1	8.0	0.1	0.1	0.1	0.1
Other liabilities			21.1	17.9	7.8	6.2	6.5	6.8
Accruals and deferrals			0.0	0.0	0.0	0.0	0.0	0.0
Debt from assets to be disposed			0.0	0.0	0.0	0.0	0.0	0.0
Total equity and liabilities			131.9	139.9	108.4	109.0	116.4	123.6

Source: CBS Research AG, MBB Industries AG

MBB Industries AG

Cash flow statement

	IFRS	EURm	2007	2008	2009E	2010E	2011E	2012E
Net income			13.7	7.9	3.5	5.0	6.7	7.9
Depreciation and amortisation			6.9	5.1	4.0	4.0	4.0	4.0
Expenses from disposal of long-term assets			0.0	0.0	0.0	0.0	0.0	0.0
Change in deferred taxes			0.0	0.0	0.0	0.1	0.1	0.1
Change in long term provisions			0.0	0.0	0.0	0.0	0.0	0.0
Credit difference from acquisition accounting			-9.1	0.0	0.0	0.0	0.0	0.0
Change in other assets and liabilities			-4.0	-3.3	-7.6	0.4	-0.7	-0.2
Interest income			0.5	-1.5	-1.5	0.0	0.0	0.0
Interest expenses			0.0	0.8	0.5	-0.6	-0.7	-0.9
Paid taxes			-1.5	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities			6.5	9.1	-1.1	8.9	9.2	10.9
Investment in long-term assets			-5.3	-3.0	-4.0	-4.0	-4.0	-4.0
Acquisition of consolidated companies			4.6	-1.3	0.0	0.0	0.0	0.0
Cash received from disposals			2.5	0.1	1.3	0.0	0.0	0.0
Expenses from purchase of other assets			0.0	0.0	0.0	0.0	0.0	0.0
Sale of consolidated entities			2.1	0.0	16.4	-1.0	0.0	0.0
Cash flow from investing activities			3.9	-4.2	13.7	-5.0	-4.0	-4.0
Cash flow from IPO Delignit (net)			5.3	0.0	0.0	0.0	0.0	0.0
Change in treasury stocks			0.0	0.0	0.0	0.0	0.0	0.0
Cash inflow from issuance of preferred stock			0.0	0.0	0.0	0.0	0.0	0.0
Net borrowings/retirements of financial debt			1.5	-5.0	-0.8	-1.5	-0.2	-0.2
Dividends paid			-0.7	-1.7	-1.7	-3.3	-1.8	-2.3
Cash flow from financing activities			6.1	-6.7	-2.5	-4.8	-1.9	-2.5
Total change in cash and cash equivalents			16.5	-1.9	10.2	-0.9	3.3	4.4
Consolidation effects			0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the start of the period			10.5	26.9	25.1	35.3	34.4	37.7
Cash and cash equivalents at the end of the period			26.9	25.1	35.3	34.4	37.7	42.1

Source: CBS Research AG, MBB Industries AG

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