MBB Industries

Annual Report 2007

MBB Industries AG . Berlin

MBB Industries

Annual Report 2007

MBB Industries AG

Table of contents

Portrait of MBB Industries

MBB acquires, develops and sells majority holdings in medium-sized companies. Potential associate companies should possess essential value-enhancement potential and generate an annual turnover of at least EUR 10m.

MBB's focus is on industrial companies, whereby MBB does not restrict its interests to specific industrial sectors. The aspect which is of decisive importance to MBB's success is its ability to identify companies with profit potential and to acquire them at favourable terms. MBB has many years of experience in the mergers and acquisitions process for selecting and acquiring holdings, which it employs in pursuit of this aim.

MBB does not lay down a particular duration for the holding. A holding is only sold on if a potential buyer offers a price which in MBB's estimation exceeds the value growth potential that MBB Industries would be capable of generating. The sale of holdings is subject to constant inspection and structured preparation.

MBB Industries in Numbers

Financial year (01.01.-31.12.)	2007 IFRSs	2006 IFRSs	*Changes*	2005 HGB
Performance (figures)	€ k	€ k	%	€ k
Sales revenue	**113,648**	**62,915**	*80.6*	**36,858**
Operating output	129,925	72,142	*80.1*	30,498
Material expenses	66,275	35,483	*86.8*	16,124
Personnel expenses	27,598	16,039	*72.1*	11,587
EBITDA	21,262	10,623	*100.2*	6,074
EBITDA-Margin	*18.7 %*	*16.9 %*		*16.5 %*
EBIT	14,368	7,089	*102.7*	3,835
EBIT-Margin	*12.6 %*	*11.3 %*		*10.4 %*
EBT	12,818	5,725	*123.9*	2,387
EBT-Margin	*11.3 %*	*9.1 %*		*6.5 %*
Consolidated net profit after minorities	**13,629**	**4,258**	*220.1*	**1,749**
Numbers of shares	6,600,000	6,600,000	*0.0*	162,000
eps in €	2.07	0.65	*220.1*	0.27*

* For the purpose of comparison, on the basis of 6,600,000 shares

Balance sheet figures	€ k	€ k	%	€ k
Non-current assets	58,043	46,139	*25.8*	31,160
Current assets	73,875	33,289	*121.9*	10,403
Thereof cash and cash equivalents	26,946	10,463	*157.5*	338
Subscribed capital	6,600	6,600	*0.0*	162
Other equity	43,901	28,920	*51.8*	15,322
Equity total	50,501	35,520	*42.2*	15,484
Capital ratio	*38.3 %*	*44.7 %*		*37.3 %*
Non-current liabilities and provisions	23,570	19,194	*22.8*	11,902
Current liabilities and provisions	57,847	24,714	*134.1*	14,177
Thereof liabilities to banks and finance leases	28,183	19,327	*45.8*	14,121
Balance sheet total	**131,918**	**79,428**	*66.1*	**41,563**
Net financial dept	1,237	8,864	*-86.0*	13,783
Employees (Average)	1,841	1,340	*9.6*	1,063
Wood materials	1,023	1,040	*-1.6*	1,028
Paper	220	263*	*-16.3*	0
Plant construction	560*	0	-	0
Synthetics	38	37	*2.7*	35

* Based on the period from acqusition accounting

Welcome note from the Managing Board

Dear Shareholders,

The business year 2007 was the most successful in the history of MBB Industries AG. Once more, MBB continued to grow organically and through acquisitions in terms of both turnover and earnings. Turnover rose to EUR 114m and earnings to EUR 2.07 per share. The Managing Board and and the Board of Directors will therefore propose to shareholders to raise the dividend significantly from EUR 0.10 to EUR 0.25 per share.

In total, our company has developed better than we had expected and had been forecast in 2006 at the time of its flotation. We are therefore planning to make the move from 'Entry Standard' to 'Prime Standard' before the end of 2008. In taking this step, we want to expand the quality of the financial information available to our shareholders and to open up MBB shares to a broader, and in particular, more international, public. For this reason, this report is now also available in English for the first time, as is a Corporate Governance Codex from the Managing Board and the Board of Directors.

The MBB business model remains unchanged. The purchase of small and medium-sized German industrial companies at favourable terms remains at the focus of our activities, as does their consistent value development as conducted by our holdings management. Companies which have shown that they are able to perform well in their niche number among our favourites. The purchase of healthy business models below value is the decisive lever in our business model; every euro paid in excess for a purchase would only have to be generated during the subsequent life cycle of the holding. For this reason, the targeted search for new associate companies is a complex task, which requires experience and consistent adherence to the holding criteria, whereby the latter is under no circumstances regarded as subordinate to general growth targets.

Viewed in this way, our business model can be seen to have been entirely responsible for MBB's success in 2007. The acquisition of the Reimelt-Henschel-Group of companies, the operative development of Hanke Tissue and Huchtemeier Papier, the flotation of Delignit AG and the sale of the Huchtemeier Recycling operation provide proof of this. The rise in turnover was approximately fifty percent organic and fifty percent acquisitions-based; the total rise was by 81%, taking it from EUR 63m to EUR 114m. The EBITDA of EUR 21m can be broken down to 31% resulting from company acquisitions, 50% generated in the operative business of the holdings, and 19% from the sale of companies.

MBB Group companies are meanwhile represented throughout all of the essential economic regions of the world. Business activities take in companies operating from excellent market positions within their niches, in the fields of wood materials, paper, plant construction and synthetics. Together with the management of our associate companies, we are working intensively to expand these market positions and to implement constant improvement to the internal processes and structures. Our claim of being among the best companies in their respective industries is our yardstick. Top performance cannot be achieved without qualified and highly motivated personnel. Which is why we regard it as a priority task to create attractive and ambitious conditions for the employees and management team of each of our holdings. The excellent performance of the business year 2007 is first and foremost the result of the work done by our 1,800 employees.

The year 2008 has so far been heavily under the influence of developments in the financial and commodities markets. The current problems facing the banks in the sub-prime area, together with the rising cost of energy and raw materials, may have a corresponding negative effect on the economic development of our markets, and, in turn, on our companies, as the year goes on. At the same time, conditions for the acquisition of associate companies are improving, since the number of companies available for sale is rising and the selling price is falling. With an equity capital of more than EUR 50m, an equity ratio of 38 %, cash and cash equivalents of EUR 27m and a net financial debt of only EUR 1m, we currently see ourselves as well equipped and our expectations are of a continuation of this successful business development.

Taken together, MBB's strategy and business results constitute a firm foundation for the continued positive development of our share price.

Yours sincerely,

Dr. Christof Nesemeier Gert-Maria Freimuth

Berlin, April 2007

The Managing Board

Dr. Christof Nesemeier
Chief Executive Officer

Dr. Christof Nesemeier is the Chief Executive Officer of MBB Industries. He is responsible for the strategic development of the company and also heads the holdings management section. Within the management team, he is also responsible for corporate finance and investor relations. Dr. Christof 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. Christof Nesemeier is chairman of the Board of Directors of Delignit AG and deputy chairman of the Board of Directors of InVision Software AG.

Gert-Maria Freimuth
Chief Investment Officer

Gert-Maria Freimuth is the Chief Investment Officer of MBB Industries. He is the head of mergers & acquisitions and is also responsible for the legal department and the corporate identity of the Group. 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. Together with Dr. Christof Nesemeier, he founded the company Nesemeier & Freimuth GmbH, which went on to become what is now the MBB Group. Gert-Maria Freimuth is the deputy chairman of the Board of Directors of Delignit AG.

The Board of Directors

Dr. Peter Niggemann
Chairman of the Board of Directors

Dr. Peter Niggemann is chairman of the Board of Directors as well as being a partner in the Freshfields Bruckhaus Deringer legal firm in Düsseldorf. After his banking training, which he completed at the Westdeutsche Landesbank Girozentrale in Münster/ Düsseldorf, he studied law at the University of Cologne and at Georgetown University in Washington D.C. He obtained his doctorate from the University of Cologne in 1998. Since March 1998 he has been a lawyer at the Freshfields Bruckhaus Deringer solicitors firm in Brussels, London and Düsseldorf. His main area of interest is in the field of European and German cartel law. He is also a visiting lecturer at the University of Cologne.

Dr. Jan C. Heitmüller
Deputy Chairman of the Board of Directors

Dr. Jan C. Heitmüller is the deputy chairman of the Board of Directors. His profession is private equity manager, which he practices as a principal at Lindsay Goldberg Vogel in Düsseldorf. The fund he supervises, LGB II L.P, has some $3b in equity capital. Dr. Heitmüller has more than ten years' experience in industrial and business consultancy. He was general manager of the water treatment company Eurawasser Aufbereitungs- und Entsorgungs GmbH in Berlin and head of the central department for company development at Thyssen Handelsunion AG, Düsseldorf. Dr. Heitmüller previously worked at Bossard Consultants and McKinsey & Co. Over the course of his professional training, he spent time in the USA, Spain and Switzerland.

Dr. Matthias Rumpelhardt
Member of the Board of Directors

Dr. Matthias Rumpelhardt is the chief executive officer of Ströer Media International, a joint venture by Ströer Out-of-Home Media AG, one of the leading global out-of-home media organisations, and Oaktree Capital Management, one of the biggest private equity companies in America. The aim of the activities is to expand into the emerging markets of Asia, India and the Middle East. Dr. Rumpelhardt has previously worked for international business consultancy companies and was most recently chief executive officer and member of the executive committee for Corporate Value Associates, a global strategy boutique. He is also head of the advisory council at RIB Software AG, Stuttgart. He studied at the Technische Universität Berlin, where he also wrote his doctorate, following a period spent working in venture capital in Canada.


Dr. Matthias Rumpelhardt
Dr. Peter Niggemann
Dr. Jan Heitmüller

Report by the Board of Directors

The Board of Directors was elected in its present composition at the shareholders' meeting on March 21, 2006 and was appointed until the end of the annual general meeting, which decides on its discharge for the fourth business year following the beginning of its tenure. This does not include the business year in which the tenure begins. On March 21, 2006, the Board of Directors elected Dr. Peter Niggemann as its chairman and Dr. Jan C. Heitmüller as deputy chairman. Moreover, on March 21, 2006, the Board of Directors appointed Dr. Christof Nesemeier as the chairman of the board and, in its meeting on November 13, 2006, extended the appointments of Dr. Christof Nesemeier and Gert-Maria Freimuth as members of the Managing Board of MBB Industries AG for a further five years, until June 30, 2012.

The Board of Directors informed itself on a regular basis regarding business and strategic developments within the company, as well as on current events and all essential business transactions. As a result, the Board of Directors was always informed about business policy, company planning, the risk situation, and the asset, financial and profit situation of MBB Industries AG and the MBB Group.

This information was obtained through regular personal meetings between the chairman of the Board of Directors and the members of the Managing Board and also at the meetings of the Board of Directors, which took place on March 27, May 21 and November 21, 2007, in which all members of the Board of Directors, Managing Board, and the executive management of the company took part. Moreover, all members of the Board of Directors were kept informed about the development of business at all times, outside of meetings, by the Managing Board.

Detailed discussion was conducted between the Board of Directors and the Managing Board, in particular with regard to the sale of Huchtemeier Recycling GmbH, the purchase of the Reimelt-Henschel-Group, and the flotation of Delignit AG. As a result, the Board of Directors was involved in all essential decisions.

The MBB Industries AG Board of Directors is composed of three members. This ensures its ability to work efficiently. It is the view of the Board of Directors that this number of members is appropriate to the size of the Group. For this reason, the Board of Directors has so far not formed any committees.

MBB Industries' annual accounts as of December 31, 2007 and the joint management report for MBB Industries AG and the MBB Industries Group were compiled in accordance with the principles laid down in the Code of Commercial Law (HGB), and the Group accounts for December 31, 2007 also complied with the International Financial Reporting Standards (IFRSs). They were checked by the BDO Deutsche Warentreuhand AG business auditing company in Berlin and furnished with an unqualified auditor's opinion as of April 7, 2008. Furthermore, the report ('dependency report') by the MBB Industries AG Managing Board regarding relations with associated companies as per Art. 312 of the Companies Act (AktG) was inspected by the BDO Deutsche Warentreuhand AG business auditing company in Berlin.

The Board of Directors inspected the annual report compiled by the Managing Board, as well as the joint status report of MBB Industries AG and the Group, the group report, and the dependency report, in accordance with the requirements of Art. 312 Companies Act (AktG); these also formed the subject of detailed discussions with the auditor, at a meeting held on April 7, 2008. All questions raised by the Board of

Directors were comprehensively answered by the auditor. The Board of Directors received the auditor's report in good time and taking note of its findings, accorded it its approval. Following the final results of the inspection conducted by the Board of Directors, there are no objections to be raised with respect to the annual report, the status report, the dependency report, and the group results. The annual report and group results were approved by the Board of Directors on April 7, 2008. The annual results for MBB Industries AG have therefore been established in accordance with Art. 172 of the Companies Act (AktG).

The Board of Directors agrees with the situational evaluation by the Managing Board in the combined management report. The Board of Directors concurs with the proposal by the Managing Board regarding the appropriation of earnings.

The Board of Directors thanks the Managing Board, the managers of the associate companies and all employees of the MBB Group for their great enthusiasm and for the good results obtained in the last year.

Berlin, April 7, 2008
The Board of Directors

Dr. Peter Niggemann
Chairman

Combined Management Report

MBB Industries AG (hereinafter also referred to as “MBB AG”) is a medium-sized investment company, which forms the MBB Industries Group (hereinafter also referred to as “MBB Group”) together with the companies in its portfolio. MBB AG and the MBB Group posted significant revenue and earnings growth in fiscal year 2007 and management expects revenue growth to continue in fiscal year 2008. The separate financial statements of MBB AG have been prepared in accordance with the German Commercial Code (HGB); the consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs).

Business Performance and Background

Strategic Focus

MBB AG is an investment company which focuses on German small to medium-sized companies. The Company specializes in purchasing majority shareholdings in medium-sized industrial companies with revenues of more then 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. MBB AG is not bound to sell its investments. On the contrary, it prefers its holdings to contribute to the development of the MBB Group for the long term through sustainable earnings.

The investees not only receive capital from MBB AG, but also gain access to an excellent level of management experience and a motivated and highly qualified team. This secures the success of the portfolio companies and guarantees the Company a high level of return on its capital employed.

Market Development

The Company has operated exclusively on the German investment market to date. The foreign portfolio companies have become part of the MBB Group as subsidiaries of German ultimate parent companies.

According to the German Federal Statistical Office (source: Statistisches Jahrbuch 2007), there are approx. 39,550 companies with revenues of more than EUR 10m in Germany alone. MBB strives, in particular, to acquire companies in this revenue segment. According to a report by the German Chamber of Industry and Commerce on the subject of corporate succession, almost 100 people per working day contacted the IHK with corporate succession inquiries in 2006. Also according to the statistical survey of the Institute for SME Research (“Institut für Mittelstandforschung”), the number of companies going on sale within the scope of a corporate succession is set to increase significantly in the future. The number of transactions is expected to increase sharply in the years to come, partly driven by this development.

Moreover, the current development of financial markets is improving the economic conditions for the acquisition of shareholdings by MBB AG. Concerns about the development of the economy, more difficult access to the capital market and increasing restraint exercised by banks with regard to lending are leading to a rise in the number of companies and entrepreneurs open to private equity investment. At the same time, the supply of private equity is decreasing in the market relevant to MBB as the refinancing

of the business model is becoming more difficult. The Company estimates that this will lead to less intense competition and falling purchase prices in 2008.

Increasing uncertainty in the financial, commodities and sales markets creates higher demands on the management of investees. Moreover, on the basis of our observations, we expect increasing volatility on the markets, low levels of debt financing, a further cooling-off of economic growth in North America and individual European states, such as Spain, the UK and Italy, and rising energy, material and personnel expenses. Nevertheless, there is still sustained demand in the BRIC countries and demand in our most important market, Germany, remains stable. In MBB's key industries, we expect: growing international demand in plant construction for the food industry; anti-cyclical increasing demand for polyurethane boards and steady demand for wood materials and tissue products.

Market Position

MBB AG has enjoyed success on the market for investment in small to medium-sized companies for over 10 years. MBB AG is one of the leading investment companies in the German industrial SME sector for companies with revenue in excess of EUR 10m thanks to its experience, its existing network, the entities in its investment portfolio and its listing on the capital market. Moreover, this market position has improved based on the Group's strong growth. According to the Managing Board, MBB is well equipped and has sufficient market potential for further expansion of its position.

Stock Exchange Listing

MBB AG's IPO in the Entry Standard of the open market of the Frankfurt Stock Exchange in 2006 formed part of the aforementioned strategic development. On the basis of the positive impact of the IPO on the Company's development and the current size of the Company, MBB AG is planning to obtain listing in the Prime Standard of the Frankfurt Stock Exchange in 2008. The 70.6% share of capital stock held by MBB AG's Managing Board secures sustained corporate development and still offers room for growth-oriented changes to capital.

Organisation

The Board of Directors of MBB AG comprises the Chairman, Dr. Peter Niggemann, the Deputy Chairman, Dr. Jan C. Heitmüller, and Dr. Matthias Rumpelhardt. The Board of Directors in its current composition was elected by the annual general meeting in March 2006 and appointed until the close of the meeting that decides on the exoneration of the Board of Directors for the fourth fiscal year following the beginning of its term of office.

The duties of the Managing Board are as follows: the CEO, Dr. Christof Nesemeier, is responsible for strategy, finance and investment management. Gert-Maria Freimuth as CIO is responsible for mergers and acquisitions, legal and marketing. As before, the Managing Board therefore comprises the two founding shareholders of MBB, who have been appointed until June 30, 2012. Three other members of the management team are responsible for finance and investment management and IT and processes.

The individual portfolio companies each have an independent operating management which also holds shares in the portfolio companies in individual cases, although MBB AG never holds less than 75.1%. The management of MBB AG and the portfolio company work closely together on the development of the relevant entity.

Portfolio Companies

Westfalia Recycling GmbH, a wholly-owned subsidiary of MBB AG sold Huchtemeier Recycling GmbH to Karl Tönsmeier Entsorgungswirtschaft GmbH & Co. KG, Porta Westfalica, Germany, in May 2007. The sale of the entity was the result of a structured divestment process as MBB only saw a low value growth potential under its own management in connection with the concentration on the German waste disposal market.

Westfalia Recycling GmbH acquired 100% of the shares in Reimelt Henschel Holding GmbH with its 12 subsidiaries and second-tier subsidiaries in August 2007.

In preparation for the IPO of MBB's wood materials activities, Cildro S.A. and Cildro Service Srl. were combined under the umbrella of Delignit AG. The IPO of Delignit AG in the Entry Standard of the open market of the Frankfurt Stock Exchange took place on September 26, 2007. Within the scope of the IPO, capital was initially increased, with gross issue proceeds of EUR 6.0m; subsequently, shares in Blomberger Holzindustrie B. Hausmann GmbH & Co. KG were converted into shares in Delignit AG by the former minority partner of Blomberger Holzindustrie B. Hausmann GmbH & Co. KG. As a result, Delignit AG holds 99.4% of shares in Blomberger Holzindustrie B. Hausmann GmbH & Co. KG and 93.9% of shares in Cildro S.A. In turn, MBB AG holds an 80.6% share in Delignit AG.

At the end of the fiscal year, MBB AG held five direct equity investments. As the direct portfolio companies of MBB AG have subsidiaries and second-tier subsidiaries, the consolidated group comprises a total of 22 entities and one equity method investee in addition to MBB AG. The entities are listed below according to parent, ownership interest and consolidation method:

Delignit AG (80.55 %)

- Hausmann Verwaltungs-GmbH (100 %)
- Blomberger Holzindustrie B. Hausmann GmbH & Co. KG (99.4 %)
    - S.C. Delignit Romania Srl. (99.9 %)
    - OBO Industrieanlagen GmbH (5.2 %)
- S.C. Cildro S.A. (93.9 %)
    - S.C. Cildro Service Srl. (100 %)

OBO Modulan GmbH (100 %)

- OBO-Verwaltungs GmbH (100 %)
- OBO-Werke GmbH & Co. KG (100 %)
    - OBO Industrieanlagen GmbH (94.8 %)
    - PURcycl GmbH (100 %)

Huchtemeier Verwaltung GmbH (100 %)

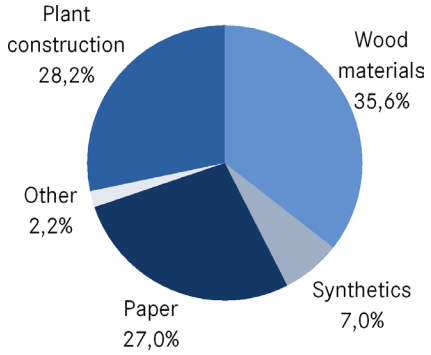
- Huchtemeier Papier GmbH (80 %)
    - KKS Hahn Konzert- und Veranstaltungs-Service GmbH (20 % - at equity)

Hanke Tissue Sp. z o.o. (100 %)

Westfalia Recycling GmbH (100 %)

- Reimelt Henschel Holding GmbH (100 %)
    - Reimelt Henschel MischSysteme GmbH (100 %)
    - Reimelt GmbH (100 %)
        - Reimelt FoodTechnologie GmbH (100 %)
        - Dietrich Reimelt Pulsnitzer Maschinenbau GmbH (100 %)
        - Reimelt Corporation (100 %)

The consolidation of six foreign sales entities and one equity investee was waived due to immateriality, as the entities are both individually and cumulatively immaterial to the net assets, financial position and results of operations of the Group.



Distribution of the revenue 2007 by segments

The different focuses of operations of the individual segments in which the MBB entities operate are described briefly below:

Wood Materials

The Delignit Group develops, manufactures and sells ecological products based on the natural, renewable and CO_2-neutral raw material wood. As a development, project and series supplier for such technological sectors as the automotive and aviation industries, the business activities of the Delignit Group center on creating and implementing technological and customized applications and systems. These are based on Delignit, a material primarily produced from beech wood. Unlike many other raw materials, wood is CO_2-neutral throughout its life cycle and thus superior to other materials from an ecological perspective. This means that the use of Delignit materials as a substitute for applications from non-renewable raw materials improves the environmental performance of customer products and fulfills their growing ecological demands.

In addition to the automotive and technological applications segments, the operations of the Delignit Group include the veneer segment with the sliced veneer activities of S.C. Cildro S.A. The predecessors to the current Delignit Group were established over 200 years ago and family owned until MBB AG's investment in 2003.

The wood materials activities accounted for the largest share of MBB Group's revenue at 35.6% in fiscal year 2007. Sales to third parties increased by 14.9% to EUR 40.4m in the fiscal year.

Synthetics

OBO is an internationally operating supplier of polyurethane boards for use in model, mold and tool construction. The majority of OBO's customers are model shops in the automotive industry. To a lesser extent, the entity is also involved in developing board

materials made from recycled materials with its company PURcycl GmbH. The entity had a share of 7.0% in the revenue of the MBB Group in 2007. Revenue fell by 15.4% to EUR 8.0m in fiscal year 2007, following an increase of 44.9% in the prior year.

Paper

The Huchtemeier and Hanke entities are involved in the trade of paper and the production of tissue products. In 2006, MBB AG acquired a majority interest in the entities.

Huchtemeier is an international paper trading group. In addition to quality paper and pulp, the entity markets waste paper to the paper-processing industry. Huchtemeier has been trading in paper for over a century.

Hanke produces tissue motherrolls, napkins, paper tissues, toilet paper and kitchen paper rolls. It maintains a strong competitive position in the eastern European consumer goods market under the “aha” brand name. It also produces white and colored tissue for many private-label suppliers throughout Europe. The Polish entity Hanke Tissue Sp. z o.o. in Kostrzyn constitutes the core of the entity’s activities.

Excluding Huchtemeier Recycling GmbH, which was sold in 2007, paper activities contributed a 27.0% share of the MBB Group’s revenue in fiscal year 2007. The consolidated revenue from paper activities rose by 116.8% to EUR 30.6m in the fiscal year. However, it should be noted that these activities were only consolidated from the date of acquisition in the prior year.

Plant Construction

The 13 individual entities that make up the Reimelt-Henschel-Group produce components and systems for handling and processing powdered and liquid raw materials for the food and chemical industries. The entity’s business activities date back to 1810. Reimelt-Henschel has its own sales and service companies in the US, Brazil, Canada, the UK and France as well as in Korea, Hong Kong and China. Reimelt’s process technology makes it the world market leader in the food industry.

Since its first-time consolidation on August 23, 2007, the Reimelt-Henschel-Group has contributed EUR 32.0m to the revenue of the MBB Group, a share of 28.2%. The annualized revenue of the Reimelt-Henschel-Group was, however, more than EUR 80m in 2007.

The revenue of sold equity investments and other revenue of MBB AG amounted to EUR 25m, which corresponds to a share of 2.2% of total revenue.

Detailed descriptions of the individual portfolio companies are not published to avoid negative effects on their operations.

Employees

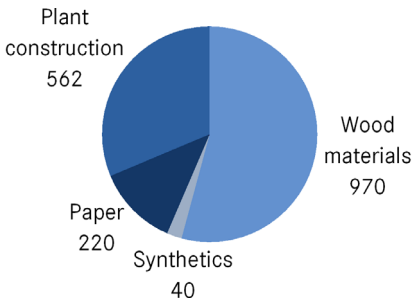
MBB AG had up to six employees engaged in investment management in 2007; this figure includes Managing Board members. While management serves MBB AG on the basis of service agreements, one person was employed in office management in 2007. As of January 1, 2008, a further employee was appointed for financial control.

The MBB Group employed 1,792 persons at the end of fiscal year 2007 (prior year: average of 1,340). Employees by country broke down as follows:

- 794 employees in Germany
- 710 employees in Romania
- 205 employees in Poland
- 60 employees in the US
- 6 employees in Brazil
- 6 employees in China
- 4 employees in France
- 3 employees in Hong Kong
- 3 employees in South Korea
- 1 employee in the UK

At year-end 2007, employees by segment were as follows:

- Wood materials: 970 employees (prior year: 1,040)
- Plant construction: 562 employees
- Paper: 220 employees (prior year: 263)
- Synthetics: 40 employees (prior year: 37)



Employees by segments at year-end 2007

The workforce in the wood materials and paper segments decreased on the prior year's balance sheet date. The change was due to the planned reduction of employees at the Romanian entity thanks to further progress on productivity. In addition, the number of employees in tissue production in Poland was reduced slightly due to optimization measures, and Huchtemeier Recycling GmbH was sold. The number of employees increased at the German locations, however, thanks to good capacity utilization and ongoing investment activities.

MBB deeply regrets that employees were injured in an accident at the Romanian plywood factory in January 2007. Even though this was not attributable to failures on the part of companies or employees of the MBB Group, we have intensified our commitment to attractive and safe workplaces in the Group to ensure that we continue to attract qualified and motivated employees, even in a tightening labor market. It should be noted that most of our entities operate as reputable training centers, which offer competitive remuneration to their employees - dependent on region and industry.

MBB views encouraging and challenging employees as a significant factor for success. Management and executives, who have a significant influence on the success of business activities, receive variable salary components which are dependent on the results and value growth of the entities.

The number of employees in the existing portfolio companies of the MBB Group will not change significantly in fiscal year 2008.

Results of Operations, Financial Position and Net Assets

MBB AG and the MBB Group can look back on a successful fiscal year 2007. Revenue and profit increased significantly, both organically and through acquisitions. The financial position and net assets developed positively thanks to earnings development, the sale of Huchtemeier Recycling GmbH and the successful placement of a capital increase in the course of the IPO of Delignit AG. In addition, cash and cash equivalents and the financing strength of the MBB Group increased significantly in the fiscal year, such that very good opportunities for organic growth and growth from acquisitions continue to exist. MBB AG and, subsequently, the MBB Group are discussed in further detail below.

MBB AG

MBB AG recognized revenue of EUR 1.3m (prior year: EUR 1.3m) from the charging of management services to group entities in 2007. In addition, a special item with an equity portion recognized in the prior year was released to profit or loss in the amount of EUR 1.0m. Total operating performance rose to EUR 2.4m in 2007 (prior year: EUR 2.0m).

This was contrasted by the cost of purchased services of EUR 1.4m, which relates to remuneration of MBB AG's management.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to EUR 0.1m.

In addition, MBB AG recognized investment income of EUR 1.5m, income from loans of EUR 0.2m and an interest result of EUR 0.3m. Taking into account the aforementioned items and income taxes, MBB AG posted a profit for the period of EUR 2.1m (prior year: EUR 1.2m).

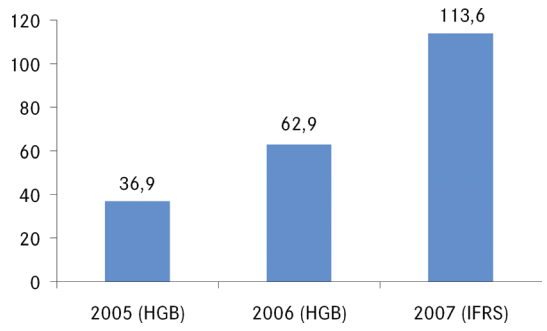
MBB AG's equity came to EUR 25.2m as of the balance sheet date (prior year: EUR 23.8m) and led to a ratio of equity to total assets of 79.1%. MBB AG's cash and cash equivalents amounted to EUR 12.8m at year-end (prior year: EUR 9.2m); net cash and cash equivalents fell to EUR 7.6m (prior year: EUR 9.2m). The unused portion of a credit line amounted to EUR 4.8m and provides further financial leeway.

The number of bearer shares (no par value shares) remained unchanged at 6,600,000. The members of the MBB AG Managing Board held 70.6% of the shares at year-end. The Managing Board increased its shareholding slightly in fiscal year 2007. According to the Company, the Company's remaining shares are held in free float.

MBB Group

As of December 30, 2007, the consolidated financial statements were prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The prior-year figures were also converted. Where reference is made to comparative figures for fiscal year 2006 in the following sections and no separate note has been added, the figures relate to the consolidated financial statements for fiscal year 2006 prepared in accordance with the German Commercial Code.

The MBB Group posted 80.6% higher consolidated revenue of EUR 113.6m compared to the prior year (EUR 62.9m). At the same time, total operating performance increased by 82.6% from EUR 71.1m in 2006 to EUR 129.9m in 2007. Other operating income of EUR 4.0m mainly relates to income from sales of machinery, insurance indemnifications and the reversal of provisions.



Development of consolidated revenue (in EUR m)

The income from the sale of Huchtemeier Recycling GmbH and the capital increase of Delignit AG in the course of the IPO contributed EUR 4.0m to total operating performance. In addition, negative goodwill of EUR 9.1m was released in the course of the acquisition accounting for the Reimelt-Henschel-Group. This contrasted with expenses of EUR 2.4m as part of the integration of the group of entities into the MBB Group, resulting in a net balance of EUR 6.7m.

The cost of materials rose from 54.3% to 58.3% in relation to revenue, which was attributable to the change in the value added of the Group following the takeover of the Reimelt-Henschel-Group and the increase in raw materials and energy prices. By contrast, the ratio of personnel expenses to revenue fell from 26.2% in 2006 to 24.3% in 2007.

EBITDA totaled EUR 21.3m (prior year: EUR 9.0m), an increase of 135.8% on the prior year, and came to 18.7% of consolidated revenue. Integrated in the three phases

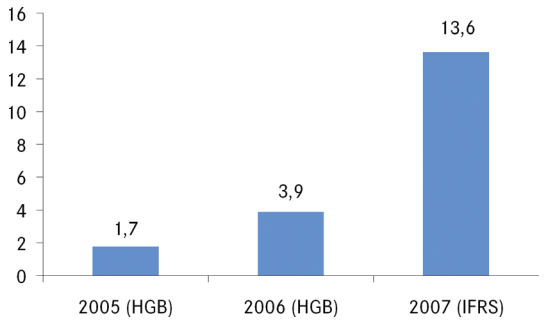
of the MBB business model, EBITDA was generated as follows: EUR 6.7m from the acquisition of entities (phase 1), EUR 10.6m from the operating activities of the portfolio companies (phase 2) and EUR 4.0m from the disposal of entities (phase 3).

Amortization, depreciation and write-downs of EUR 6.9m (prior year: EUR 3.4m) were recognized. EUR 1.8m relates to goodwill impairment; the remainder relates to amortization and depreciation of the MBB Group's non-current assets. Goodwill impairment was determined on the basis of corresponding impairment tests.

The MBB Group recognized earnings before interest and taxes (EBIT) of EUR 14.4m in the fiscal year (prior year: EUR 5.7m), an increase of 153.4%.

Taking into account a negative financial result of EUR 1.6m, earnings before tax (EBT) amounted to EUR 12.8m (prior year: EUR 4.4m), which was 11.3% of revenue (prior year: 6.9%) and 194.7% higher than in the prior year.

The MBB Group incurred income taxes of EUR 1.4m and recognized positive deferred taxes of EUR 2.3m, such that net income tax of EUR 0.9m was included in the consolidated profit. The deferred taxes related to the change in tax legislation in 2008 and the conversion to accounting in accordance with IFRSs.



Development of consolidated net profit (in EUR m)

The consolidated profit for the period after minority interests rose by 253.1% year on year to EUR 13.6m (prior year: EUR 3.9m) and contributed to an equity of EUR 50.5m (prior year: EUR 34.4m) in the consolidated balance sheet as of December 31, 2007. The MBB Group posted an equity ratio of 38.3% (prior year: 46.9%) in relation to consolidated total assets of EUR 131.9m. The Managing Board therefore considers that the MBB Group has a solid equity base.

As of December 31, 2007, the MBB Group had financial liabilities of EUR 28.1m (prior year: EUR 18.5m) and cash and cash equivalents of EUR 26.9m (prior year: EUR 10.5m). At EUR 1.2m, the MBB Group's net financial debt is again significantly lower than the prior-year figure (EUR 8.0m). The Managing Board therefore believes that the MBB Group also has sufficient financing scope for the planned development of the Group.

Hedging Activities

Transactions within the Group are normally carried out in euros. As the balance of unsecured foreign currency items in the Group due to transactions with third-party entities outside of the euro zone has been limited to date, the MBB Group does not actively use currency hedges for other currencies.

The volume of foreign currency revenue within the MBB Group has increased significantly since the acquisition of the Reimelt-Henschel-Group. Nevertheless, the foreign transactions are generally carried out in the respective foreign currencies – both on the procurement and sales sides – and the resulting currency risks are thus comparatively low on the whole.

Remuneration Report

The Managing Board remuneration consists of a fixed component and a variable component. In addition, the members of the Managing Board also receive a refund for expenses in return for receipts and each also has a company car for professional use. Furthermore, D&O insurance without a deductible has been concluded for the Managing Board. No other payments have been agreed (e.g. paid sick leave, pension entitlements, direct commitments or severance payments).

MBB AG's management received variable remuneration of 9.0% of the amount of consolidated profit after tax and minority interests exceeding EUR 3.3m and falling short of EUR 9.9m in fiscal year 2007. The distribution to the members of management and the Managing Board of MBB AG is based on the proposal of the Chairman of the Managing Board and the resolution of the Board of Directors.

The members Board of Directors receive a per-meeting fee. The Chairman of the Board of Directors receives twice the amount and the Deputy Chairman one and a half times the amount of the per-meeting fee. Furthermore, D&O insurance without a deductible has been concluded for the Board of Directors. In addition, the Chairman of the Board of Directors has a claim to 0.4% and the remaining members of the Board of Directors have a claim to 0.3% of the amount of consolidated profit after tax and minority interests exceeding EUR 3.3m and falling short of EUR 9.9m in fiscal year 2007. The members of the Board of Directors also receive a refund for expenses in return for receipts.

Please see the notes to the consolidated financial statements for a breakdown of remuneration of the Managing Board and the Board of Directors.

Opportunities and Risks

The Managing Board believes that the MBB Group will have the following opportunities in the future:

- The expected significant increase in small and medium-sized entities up for sale thanks to the factors described under “Market Development” offers opportunities for acquisitions at attractive prices.
- Above-average returns stand to be gained from successful investment in and conversion of small to medium-sized industrial entities.
- The current condition of the capital market makes the financing of small to medium-sized industrial entities difficult and increases the appeal of private equity.
- The experience and the network of the current management team offer an excellent starting point for further growth of the Company.
- MBB’s growth leads to constant income, as a result, the reliability of business development planning increases.

The large number of aforementioned opportunities and the current situation of the MBB Group suggest that the MBB Group will develop successfully. However, the MBB Group faces the following risks:

- The optimization of individual portfolio companies may not be successful. This may lead to loss of the investment in extreme cases.
- The refinancing of individual acquisitions may not be successful.
- A possible cooling-down of the economy may lead to falling revenue and/or falling profits of existing investments of MBB AG.
- The international activities of MBB AG lead to investments abroad, which are liable to country-specific risks.
- Despite comprehensive risk management, the group entities are subject to the general risks of their operations. In particular, the manufacturing entities of the Group may be exposed to, for example, warranties, environmental costs and production outages.
- The entities acquired in fiscal year 2007 are subject to the general risks of a sustained optimization process which has not yet been fully completed.
- The investee Reimelt Corporation (US) has been sued for damages in two separate cases currently pending in the US. One of these cases also involves a suit against Reimelt GmbH. As the proceedings are still in a very early stage (discovery), it is not yet possible to assess the risks conclusively. It is possible that the Reimelt entities will be liable to pay an amount that exceeds the existing insurance coverage and the provisions recognized in the consolidated financial statements.

The MBB Group addresses the aforementioned risks by means of ongoing risk monitoring. Early steps would be taken to avoid disadvantages to the group entities. These include:

- An integrated investment controlling system which continuously compares target, actual and forecast data at both portfolio company and MBB AG level by means of daily controlling (DAC) and monthly business unit controlling (BUC).
- A project controlling function (PUC), which defines, enhances and monitors the implementation of the optimization measures in the Group and in each individual entity.
- Regular management meetings within MBB AG (MIC) and with the respective management of the portfolio companies (RAP).
- A structured mergers and acquisitions tool, which organizes and reviews the success of the acquisition process (MAC) and the ongoing expansion of MBB's network.

Events After the Balance Sheet Date

There were no material events after the end of the period under review.

Forecast

We believe that the results of fiscal year 2007 form a good basis for the further development of the MBB Group. The Managing Board expects an increase in consolidated revenue and sustained value growth of its portfolio companies in 2008.

MBB believes that the MBB Group will also grow through the acquisition of new shareholdings in 2008. No forecasts with regard to future acquisitions can be made. However, MBB's structured mergers and acquisitions process ensures the ongoing assessment of a range of new acquisition projects. When reviewing new entities, we pay attention to conformity to our investment criteria and extraordinary value growth potential. Any new group entity must be capable of making a sustained contribution to the continuous value growth pursued by the MBB Group.

In fiscal year 2008, the revenue of the MBB Group will increase as a result of the acquisition accounting for the portfolio companies acquired in 2007. In addition, the operations of the portfolio companies will also post an organic increase in revenue and profit in 2008. As a result, we anticipate an increase in profits of the individual entities. The Managing Board currently expects an increase in consolidated revenue of 59% to EUR 180m and consolidated net earnings after tax and minority interests of EUR 1.65 per share.

Summary of the Report on Relationships With Affiliated Entities in Accordance With Sec. 312 AktG

The Company received appropriate consideration for all legal transactions and measures listed in the report on the relationships with affiliated companies, taking into consideration the circumstances which were known at the time of concluding the legal transactions and it was not disadvantaged by any measures taken or not taken.

Berlin, Germany, April 7, 2008

Dr. Christof Nesemeier
CEO

Gert-Maria Freimuth
CIO

MBB Industries' abridged Financial Statement for 2007

Balance Sheet (HGB)

Assets	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Intangible assets	8	13
Property, plant and equipment	95	150
Financial assets	17,727	13,623
Non-current assets	**17,830**	**13,786**
Receivables and other assets	1,195	3,024
Securities	1,354	738
Cash on hand, bank balances	11,496	8,490
Current assets	**14,046**	**12,251**
Prepaid expenses	**0**	**0**
Total assets	**31,876**	**26,037**

Equity and liabilities	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Equity	25,224	23,812
Special Item With an Equity Portion	500	1,505
Provisions	630	55
Liabilities	5,522	665
Total equity and liabilities	**31,876**	**26,037**

Income Statement	2007 € k	2006 € k
Revenue	1,350	1,264
Other operating income	1,011	749
Cost of purchased services	1,442	588
Personnel expenses	37	7
Depreciation and amortization of intangible assets, property, plants and equipment	46	42
Other operating expenses	784	633
Earnings of equity investments	1,546	0
Income from loans of financial assets	206	28
Other interest and similar income	366	310
Depreciation and amortization of securities	0	3
Interest and similar expenses	96	13
Result from ordinary activities	**2,074**	**1,066**
Exraordinary earnings	0	2,892
Exraordinary expenses	0	2,740
Income taxes	0	0
Other taxes	1	0
Profit for the year	**2,072**	**1,218**
Profit brought forward from the previous year	499	2
Allocation to the statutory reserve	0	-61
Net profit	**2,571**	**1,159**

Appropriation of the net income

The indicated net profit is composed of the profit for the year (EUR 2,072,086.20) together with the profit brought forward (EUR 498,807.23).

Consolidated Financial Statement 2007 (IFRSs)

Consolidated Income Statement (IFRSs)	2007 € k	2006 € k
Revenue	**113,648**	**62,915**
Reversal of credit difference from acquisition accounting	9,123	2,582
Income from removals from consolidated group/change in minority interests	4,007	0
Other operating income	4,114	3.227
Decrease (prior year: increase) in work in process and finished goods	-967	3,418
Operating output	**129,925**	**72,142**
Cost of raw materials, consumables and supplies	-51,876	-26,679
Cost of purchased services	-14,399	-8,804
Cost of materials	**-66,275**	**-35,483**
Wages and salaries	-22,437	-12,747
Social security, pensions and other benefit costs	-5,161	-3,292
Personnel expenses	**-27,598**	**-16,039**
Other operating expenses	-14,790	-9,997
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**21,262**	**10,623**
Amortization, depreciation and write-downs	-6,920	-3,565
Earnings of associates	26	31
Earnings before interest and taxes (EBIT)	**14,368**	**7,089**
Other interest and similar income	537	299
Interest and similar expenses	-2,087	-1,663
Financial result	**-1,550**	**-1,364**
Earnings before taxes (EBT)	**12,818**	**5,725**
Income taxes	850	-1,175
Other taxes	-110	-180
Earnings for the period	13,558	4,370
Minority interests	71	-112
Consolidated profit for the year	**13,629**	**4,258**
Earnings per share (EUR)	2.07	0.65

Assets (IFRSs)	Dec.31,2007 € k	Dec.31,2006 € k
Non-current assets		
Franchises, industrial rights and similar rights and assets	1,663	825
Goodwill	780	3,095
Intangible assets	**2,443**	**3,920**
Land an buildings including buildings on third-party land	28,761	19,586
Technical equipment and machines	16,789	17,696
Other equipment, furniture and fixtures	2,626	1,336
Payments on account and assets under construction	1,505	1,315
Property, plant and equipment	**49,681**	**39,933**
Shares in affiliated entities	397	0
Investments in associates	47	42
Equity investments	2	0
Loans to affiliated entities	248	0
Other loans	496	700
Financial assets	**1,190**	**742**
Deferred taxes	**4,729**	**1,544**
	58,043	**46,139**
Current assets		
Raw materials, consumables and supplies	8,702	3,604
Work in process	5,358	2,880
Finished goods	7,208	6,752
Payments on account	485	123
Inventories	**21,753**	**13,359**
Trade receivables	20,454	6,988
Other assets	4,722	2,479
Trade receivables and other assets	**25,176**	**9,467**
Securities	**1,596**	**738**
Cash	27	24
Bank balances	25,323	9,701
Cash on hand, bank balances	**25,350**	**9,725**
	73,875	**33,289**
Total assets	**131,918**	**79,428**

Equity and liabilities (IFRSs)	Dec.31,2007 € k	Dec.31,2006 € k
Equity		
Subscribed capital	6,600	6,600
Capital reserves	15,251	15,251
Legal reserve	61	61
Earnings carried forward	10,570	6,973
Currency translation differences	416	873
Profit for the year	13,629	4,258
Minority interests	3,974	1,504
	50,501	**35,520**
Non-current liabilities and provisions		
Liabilities to banks	11,548	9,217
Other liabilities	1,251	1,243
Liabilities	**12,799**	**10,460**
Pension provisions	3,356	2,491
Provisions for deferred taxes	7,415	6,243
Provisions	**10,771**	**8,734**
	23,570	**19,194**
Current liabilities and provisions		
Liabilities to banks	14,611	8,445
Payments on account received	6,138	479
Trade payables	12,128	10,892
Other liabilities	5,659	3,485
Accruals	3,904	505
Liabilities	**42,440**	**23,806**
Tax provisions	498	163
Other provisions	14,909	745
Provisions	**15,407**	**908**
	57,847	**24,714**
Total equity and liabilities	**131,918**	**79,428**

Consolidated Cash Flow Statement	2007 € k	2006 € k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	14,368	7,088
Adjustments for non-cash transactions:		
Depreciation and amortization of non-current assets	6,920	3,565
Loss/gain on disposal of assets	-12	467
Credit difference from acquisition accounting posted to income	-9,123	-2,582
Income from removal from cosolidated group	-1,437	0
Other non-cash expenses and income	-25	-31
	-3,677	**1,419**
Changes in working capital:		
Increase in inventories, trade receivables and other assets	-594	-5,382
Decrease (prior year: increase) in trade payables and other liabilities	-2,583	3,126
	-3,177	**-2,256**
Income tax paid	-1,547	-464
Interest received	537	299
Cash flow from operating activities	**6,504**	**6,086**
2. Cash flow from investing activities		
Cash received from disposals of property, plant and equipment	2,508	877
Cash received from disposals of financial assets	29	550
Cash paid for investments in intangible assets	-78	-128
Cash paid for investments in property, plant and equipment	-5,051	-5,846
Cash paid for investments in financial assets	-185	-727
Acquisition of consolidated entities	4,557	-2,979
Sale of consolidated entities	2,135	0
Cash flow from investing activities	**3,915**	**-8,253**

Consolidated Cash Flow Statement	2007 € k	2006 € k
3. Cash flow from financing activities		
Profit distributions to shareholders	-660	0
Cash received from the issue of new shares	0	15,200
Cash received from the Delignit AG IPO	6,000	0
Cash paid for IPO costs	-736	-1,235
Cash received from borrowings	8,167	2,359
Repayment of borrowings	-4,620	-2,378
Interest paid	-2,087	-1,664
Cash flow from financing activities	**6,064**	**12,282**
Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	16,483	10,115
Cash and cash equivalents at the beginning of the period	10,463	348
Cash and cash equivalents at the end of the period	**26,946**	**10,463**
Composition of cash and cash equivalents		
Cash on hand, bank balances	25,350	9,725
Securities	1,596	738
Cash and cash equivalents at the end of the period	26,946	10,463

Consolidated Statement of Changes in Equity

	Subscribed Capital	Revenue reserve	Capital reserves
	€ k	€ k	€ k
January 1, 2006	**162**	**0**	**7,230**
Conversion of capital reserves into subscribed capital	4,838	0	-4,838
Capital increase by issue on new shares	1,600	0	13,600
IPO costs	0	0	-741
Addition to legal reserve	0	61	0
Dividend paid	0	0	0
Subtotal	6,600	61	15,251
Disposal of minority interests	0	0	0
Currency translation differences	0	0	0
Consolidated profit for the year	0	0	0
Total recognized income and expenses for the year	**0**	**0**	**0**
December 31, 2006	**6,600**	**61**	**15,251**
Dividends paid	0	0	0
Subotal	6,600	61	15,251
Increase in minority interests	0	0	0
Currency translation differences	0	0	0
Consolidated profit for the year	0	0	0
Total recognized income and expenses for the year	**0**	**0**	**0**
December 31, 2007	**6,600**	**61**	**15,251**

Currency translation differences € k	Earned consolidated equity € k	Total consolidated equity € k	Minority interests € k	Consolidated equity € k
-224	**7,034**	**14,202**	**1,463**	**15,665**
0	0	0	0	0
0	0	15,200	0	15,200
0	0	-741	0	-741
0	-61	0	0	0
0	0	0	0	0
-224	6,973	28,661	1,463	30,124
0	0	0	-71	-71
1,097	0	1,097	0	1,097
0	4,258	4,258	112	4,370
0	**4,258**	**4,258**	**112**	**4,370**
873	**11,231**	**34,016**	**1,504**	**35,520**
0	-661	-661	0	-661
873	10,570	33,355	1,504	34,859
0	0	0	2,541	2,541
-457	0	-457	0	-457
0	13,629	13,629	-71	13,558
0	**0**	**13,629**	**-71**	**13,558**
416	**24,199**	**46,527**	**3,974**	**50,501**

Notes to the Consolidated Financial Statement for Fiscal Year 2007

I. Methods and Principles

1. Basic Information on the Accounting

1.1 Corporate Information

MBB Industries AG, Berlin, Germany (hereinafter referred to as "MBB" or the "parent") with its registered offices at Joachimstaler Strasse 34 in 10719 Berlin is the parent of the MBB Group.

MBB Industries AG acquires, develops and sells majority shareholdings in small and medium-sized companies. MBB's focus is on industrial firms, but is not limited to specific industries. The Company is specialized in companies with revenues of EUR 10m or more and is geared primarily towards majority shareholdings in companies that offer significant value growth potential.

The consolidated financial statements of MBB Industries AG for fiscal year 2007 were authorized for issue by the Board of Directors on April 7, 2008.

1.2 Accounting Policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU and pursuant to Art. 315a (3) HGB ["Handelsgesetzbuch": German Commercial Code].

MBB Industries AG is a first-time adopter as defined by IFRS 1, and prepared consolidated financial statements in accordance with IFRSs for the first time as of December 31, 2007.

1.3 Corporate Law and Organizational Changes in 2007

Westfalia Recycling GmbH sold Erwin Huchtemeier Recycling GmbH in May 2007.

By share purchase agreement dated August 14, 2007, MBB acquired a further 20% of the shares in Westfalia Recycling GmbH and now holds 100% of the shares in the entity.

On August 23, 2007, Westfalia Recycling GmbH acquired 100% of the shares in Reimelt Henschel Holding GmbH. As Reimelt Henschel Holding GmbH in turn holds direct and indirect majority shareholdings in 11 entities, the consolidated group has changed materially.

In preparation for the IPO of MBB's wood materials activities, Cildro S.A. and Cildro Service Srl. were combined in Delignit AG.

Delignit AG was initially listed on September 26, 2007 in the entry standard of the open market of the Frankfurt Stock Exchange The IPO involved an initial capital increase of EUR 750k, after which shares in Blomberger Holzindustrie B. Hausmann GmbH & Co. KG were converted into shares in Delignit AG by the former minority partner of Blomberger Holzindustrie B. Hausmann GmbH & Co. KG (EUR 457.5k). As a result, Delignit AG holds 99.4% of Blomberger Holzindustrie B. Hausmann GmbH & Co. KG and 93.9% of Cildro S.A. This means that MBB AG holds 80.6% of Delignit AG.

1.4 Corporate Law and Organizational Changes in 2006

The following entities were consolidated for the first time as of June 29, 2006 (date of acquisition):

- Huchtemeier Verwaltungs GmbH, Dortmund, Germany, with its subsidiaries Huchtemeier Papier GmbH, Dortmund, and KKS Hahn Konzert- und Veranstaltungs-Service GmbH, Leverkusen, Germany
- Westfalia Recycling GmbH, Dortmund, with its subsidiary Erwin Huchtemeier Recycling GmbH
- Hanke Tissue Sp. z o.o., Kostrzyn, Poland

As of January 1, 2006, Huchtemeier Rohstoff GmbH was the general partner of Erwin Huchtemeier GmbH & Co. KG without a contribution. A merger agreement was concluded between Huchtemeier Rohstoff GmbH and Erwin Huchtemeier GmbH & Co. KG on December 28, 2006. The capital stock of the acquiring entity, Huchtemeier Rohstoff GmbH, was increased by EUR 1k to EUR 27k in order to carry out the merger, and Huchtemeier Rohstoff GmbH was renamed Huchtemeier Papier GmbH.

On November 3, 2006, Hanke Papier GmbH concluded a merger agreement with its shareholder, Hanke Tissue GmbH. Pursuant to the agreement, Hanke Papier GmbH transferred its entire assets with all rights and obligations to Hanke Tissue GmbH with retroactive effect from July 1, 2006 by way of a merger by acquisition.

By merger agreement dated November 23, 2006 and effective July 1, 2006, Hanke Tissue GmbH was merged into its parent, MBB Industries AG.

By share transfer agreement dated October 19, 2006, MBB acquired 100% of the shares in DoVoDo GmbH. All shares in DoVoDo GmbH were sold to Vossschulte Beteiligungs GmbH for a sale price of EUR 525k on December 15, 2006. A gain on disposal of EUR 498k was recorded as a result.

MBB acquired the shelf company Brilliant 303. GmbH in June 2006, which was subsequently renamed Westfalia Recycling GmbH. Westfalia Recycling GmbH then acquired 85% of the shares in Erwin Huchtemeier Recycling GmbH, which had a 50% shareholding in DOREG Dortmunder Recycling GmbH. This shareholding in DOREG Dortmunder Recycling GmbH was sold again in December 2006.

2. Consolidated Group

In addition to MBB, the entitles listed below are included in the consolidated financial statements.

Consolidated entities

Name and registered office of the entity	Share in capital %
Affiliated entities (fully consolidated)	
OBO Modulan GmbH, Stadthagen, Germany	100.00
OBO-Werke GmbH & Co. KG, Stadthagen, Germany	100.00
OBO-Verwaltungs GmbH, Stadthagen, Germany	100.00
PURcycl GmbH, Stadthagen, Germany	100.00
OBO Industrieanlagen GmbH, Stadthagen, Germany	80.00
Delignit AG, Blomberg, Germany	80.55
Hausmann Verwaltungs-GmbH, Blomberg, Germany	80.55
Blomberger Holzindustrie B. Hausmann GmbH & Co. KG, Blomberg, Germany	80.07
S.C. Cildro S.A. Drobeta Turnu Severin, Romania	75.66
S. C. Cildro Service Srl., Drobeta Turnu Severin, Romania	75.66
S.C. Delignit Romania Srl., Drobeta Turnu Severin, Romania	80.54
Huchtemeier Verwaltung GmbH, Dortmund, Germany	100.00
Huchtemeier Papier GmbH, Dortmund, Germany	80.00
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	100.00
Westfalia Recycling GmbH, Dortmund, Germany	100.00
Reimelt Henschel Holding GmbH, Rödermark, Germany	100.00
Reimelt GmbH, Rödermark, Germany	100.00
Reimelt FoodTechnologie GmbH, Rödermark, Germany	100.00
Reimelt Henschel Mischsysteme GmbH, Kassel, Germany	100.00
Dietrich Reimelt Pulsnitzer Maschinenbau GmbH, Burkau, Germany	100.00
Reimelt Corporation, Odessa, Florida, USA	100.00

The following entities are included in the consolidated financial statements using the equity method:

Name and registered office of the entity	Share in capital %
Associates	
KKS Hahn Konzert- und Veranstaltungs-Service GmbH, Leverkusen, Germany	20.00

Equity investments which are individually or collectively immaterial for the net assets, financial position and results of operations are not consolidated. These relate solely to entities that sell products of the Group and generate only small margins and have no material assets and liabilities.

Name and registered office of the entity	Share in capital %
Affiliated entities	
Reimelt (Canada) Ltd., Richmond Hill, Ontario, Canada	100.00
Reimelt Korea Corporation, Seongnam, South Korea	100.00
Reimelt France E.U.R.L., Venissieux, France	100.00
Reimelt Henschel Asia Ltd., Hong Kong	100.00
Reimelt Henschel Trading (Shenzhen) Co. Ltd., Shenzhen, VR China	100.00
Reimelt Ltda., São Paulo, Brasil	90.00
Associates	
Reimelt (GmbH) UK Ltd., Enfield, UK	50.00

The list of shareholdings was filed in the commercial register in a separate exhibit.

3. Consolidation Principles

Subsidiaries

Acquisition accounting is performed in accordance with the purchase method. Under this method, the purchase cost of the shares acquired is offset against the acquired subsidiary's equity allocable to the parent at the acquisition date. All identifiable assets, liabilities and contingent liabilities are carried at fair value and transferred to the consolidated balance sheet. Any excess of cost over the fair value of the net assets attributable to the Group is recognized as goodwill.

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, there is a credit difference. If this remains after reassessment of the purchase price allocation or the determination of the fair values of the purchased assets, liabilities and contingent liabilities, it is immediately taken to profit and loss. The share of assets, liabilities and contingent liabilities of the subsidiary attributable to minority interests is also carried at fair value. Goodwill is, however, only disclosed if it is allocable to the Group.

Receivables and liabilities between consolidated entities are eliminated. The same applies to intercompany profits, revenue, income and expenses.

The earnings of the subsidiaries acquired or sold during the fiscal year were included in the consolidated income statement from the date the acquisition came into effect or until the date of disposal, respectively.

Associates

Entities in which MBB holds between 20.0% and 50.0% of capital stock and on which MBB has a significant influence are classified as associates and accounted for using the equity method. The carrying amount of the equity investment in the balance sheet is written up or down by the Group's share in profits and losses of the associate. The amount of the loss allocated is generally limited to the cost of the associate.

For acquisitions of associates, the purchase method is used by analogy. Associates acquired or disposed of during the fiscal year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

4. Presentation of Accounting Policies

General

The accounting policies applied correspond to the IFRS standards and interpretations applicable in the reporting period with the following exception:

IFRS 8 Operating Segments

Adoption of this Standard is mandatory for the first time for fiscal years commencing on January 1, 2009, but earlier adoption is encouraged. MBB has followed this recommendation.

Under IFRS 8, the segment information to be published is derived from information used internally by management for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The financial statements of the entities included in the consolidated financial statements of MBB Industries AG have all been prepared on the basis of uniform accounting policies. Except for the subgroup of Reimelt Henschel Holding GmbH, they are all prepared as of the balance sheet date of the consolidated financial statements. The Reimelt Henschel Holding Group prepares its financial statements as of June 30 of each year. Interim financial statements were prepared as of December 31, 2007 for consolidation purposes.

The balance sheet was classified into current and non-current assets and liabilities pursuant to IFRS 1.51. The income statement is prepared using the nature of expense method.

Reporting Currency

The consolidated financial statements are prepared in euros as this is the currency on which most group transactions are based. Unless indicated otherwise, all amounts have been rounded to thousands of euros (EUR k). Figures are stated in euros (EUR), thousands of euros (EUR k) and millions of euros (EUR m).

Foreign Currency Translation

Every entity within the Group determines its own functional currency. The items contained in the financial statements of the respective entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those foreign currency borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

The assets and liabilities of the foreign operation are translated to euros using the closing rate. Income and expenses are translated using the weighted average rate for the fiscal year. The resulting exchange differences are recorded as a separate

component of equity. The cumulative amount recognized in equity for a foreign operation is released to income upon disposal of the operation.

The following exchange rates were used (for EUR 1.00):

Dezember 31, 2007	Closing rate	Average rate
Romanian RON	0.2770	0.2996
Polish zloty PLN	0.2792	0.2643
US dollars USD	1.4729	1.4338

Dezember 31, 2006	Closing rate	Average rate
Romanian RON	0.2957	0.2837
Polish zloty PLN	0.2611	0.2563

Intangible Assets

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

Intangible assets are recognized when it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses (disclosed under amortization). Intangible assets (excluding goodwill) are amortized on a straight-line basis over their estimated useful life. The amortization period and the amortization method are reviewed at the end of each fiscal year.

With the exception of goodwill, the Group has no intangible assets with an indefinite useful life.

Amounts paid for the purchase of industrial rights and licenses are recognized as assets and then amortized on a straight-line basis over their expected useful life.

The cost of new software is recognized as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized over a term of up to three years using the straight-line method.

Patents are amortized over a useful life of 10 years.

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

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Goodwill

Goodwill from business combinations is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

Goodwill is not subject to systematic amortization, but tested for impairment using an impairment test at least once a year in accordance with the provisions of IAS 36 and impairment charges are recorded if necessary.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units.

Property, Plant and Equipment

Property, plant and equipment are reported at cost less accumulated depreciation and accumulated impairment losses. If items of property, plant and equipment are sold or scrapped, the corresponding costs of purchase and accumulated depreciation are derecognized, and any profit or loss realized from the disposal is reported in the income statement.

The cost of an item of property, plant and equipment comprises its purchase price and other non-refundable acquisition taxes incurred in relation to the acquisition, as well as any directly attributable costs of bringing the asset to its location and to its working condition for its intended use. Subsequent expenditure such as repair and maintenance costs incurred after the non-current assets have been commissioned is recorded as expenses in the period in which the costs are incurred. If it is probable that significant additional future economic benefits will accrue to the entity above the standard of performance originally assessed for the asset, these expenses are capitalized as subsequent cost of property, plant and equipment.

Depreciation is calculated over the estimated useful life using the straight-line method based on a residual carrying amount of EUR 0.00. The following estimated useful lives are used for the individual groups of assets:

- Buildings and land improvements: 10 to 25 years
- Technical equipment and machines: 10 to 12 years
- Hardware: 3 years
- Other furniture and fixtures: 5 to 13 years

The useful lives, depreciation methods and residual carrying amounts for property, plant and equipment are reviewed in each period.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Impairment of Non-Financial Assets

An impairment test is performed for non-financial assets if events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. For the impairment test, the recoverable amount of the asset or cash-generating unit must be calculated. For assets, this is defined as the higher of fair value less costs to sell or value in use. Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or a cash-generating unit between two knowledgeable, willing parties, less the costs of disposal. An asset's or cash-generating unit's value in use is determined by the present value of the estimated cash flows expected to be generated from its current use.

Impairment losses recognized for an asset (except goodwill) in profit or loss in prior years are reversed when there is any indication that the impairment no longer exists or has decreased. The reversal is posted as a gain in the income statement. The increase in value (or reduction of an impairment loss) of an asset is, however, only recorded to the extent that it does not exceed the carrying amount that would have applied if no impairment losses had been recognized in prior years (taking into account regular amortization or depreciation).

Investments and Other Financial Assets

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

The classification of financial assets into measurement categories is determined upon initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the fiscal year.

As of December 31, 2007 and December 31, 2006, the Group only had loans and receivables extended and available-for-sale financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables extended are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. These assets are measured at amortized cost using the effective interest method. Any gain or loss is recognized in profit or loss for the period when the loans and receivables are derecognized or written down as well as through the amortization process.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as one of the three categories

above. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognized in a separate item under equity. On derecognition of the investment or identification of impairment, any cumulative gain or loss that was recognized directly in equity is recognized in profit or loss. For investments that are actively traded in organized financial markets, fair value is determined by reference to market bid prices quoted on the stock exchange at the close of business on the balance sheet date. Market values were available for the available-for-sale financial assets recognized by the Group as of December 31, 2007 and December 31, 2006.

Financial assets are tested for impairment as of each balance sheet date. If it is probable that the Company will not be able to collect all amounts due according to the contractual terms of loans, receivables, or held-to-maturity financial investments carried at amortized cost, an impairment loss or allowance is recorded on the receivables with effect on income. The impairment loss is defined as the difference between the carrying amount of the asset and the present value of estimated future cash flows measured using the effective interest method. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss. If the amount of an impairment loss recognized in profit and loss in a prior period decreases and the decrease in the impairment (i.e. a write-up) can be objectively related to an event occurring after the impairment loss, the impairment is reversed and the amount of the reversal recognized in profit and loss. However, after reinstatement an asset may not be carried at an amount exceeding the carrying value that would have ensued had no impairment been recognized. The financial asset is derecognized when it is classified as uncollectible.

Up until fiscal year 2006, the Group used a small number of financial derivatives to secure against the interest rate risk. The hedging relationship was not designated as a hedge.

As of December 31, 2007, there are a total of six forward exchange contracts to secure against future expected sales to customers in the US for which there are firm commitments. The forward exchange contracts are used to reduce the exposure to the foreign exchange risk of its firm commitments. The main terms of the forward exchange contracts were negotiated to match the terms of the commitments. As of the balance sheet date, the carrying amount is equal to the fair value of EUR 116k. The hedging relationship was not designated as a hedge.

As in the prior year, the carrying amounts of the financial assets and liabilities approximate their fair values.

Inventories

Inventories are valued at the lower of cost and net realizable value (net realizable value less necessary selling costs). They are measured at average cost. Borrowing costs as defined by IAS 23 are not included in calculating the cost. Raw materials, consumables and supplies and purchased goods are measured at the lower of cost of market on the balance sheet date using the moving average cost method. Cost of work in process and finished goods includes both the cost of direct materials and labor as well as pro rata materials and production overheads based on the assumption of normal capacity utilization. Adequate allowances are recorded for inventory risks arising from slow-moving stock and reduced salability.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, including outstanding bank overdrafts.

Financial Liabilities

All loans and borrowings are initially recognized at the fair value less directly attributable transaction costs. They are not designated as measured at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Finance lease liabilities are recognized at the present value of minimum lease payments.

Current financial liabilities are recognized at their repayment or settlement value.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is only recognized as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Non-current liabilities and provisions are carried at their present value. Where the effect of the time value of the money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. In the discounting process, the increase in the provision reflecting the passage of time is recognized as borrowing costs.

Accruals are recognized for obligations where an exchange of services has taken place and the amount of the consideration can be determined with reasonable assurance. Accruals are recognized under other liabilities.

Pensions and Other Post-Employment Benefits

Pension obligations were measured pursuant to IAS 19 (rev. 2002).

The pension obligations were viewed as part of a defined benefit plan and measured using the projected unit credit method as a result. An interest rate of 5.5% (prior year: 4.5%) was used.

All actuarial gains and losses from defined benefit obligations were recognized in the opening balance sheet as of January 1, 2006 (fresh start). In subsequent years, actuarial gains and losses will be immediately posted to profit or loss.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Discounts, rebates and VAT or other charges are not taken into account. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized when the significant risks and rewards incidental to ownership of the goods have passed to the buyer. This is generally the case upon delivery of the goods.

Long-Term Construction Contracts From Plant Construction
Income from the construction of food and chemical plants is recognized as revenue using the percentage of completion method. The percentage of completion is measured by reference to costs incurred to date as a percentage of total estimated cost for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

Interest Income
Interest income is recognized when the interest has accrued (using the effective interest rate, i.e. the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends
Revenue is recognized when the Group's right to receive the payment is established.

Taxes

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax
Deferred income taxes are recognized using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. However, no deferred tax liabilities may be recognized from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. However, no deferred tax assets may be recognized for deductible temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Future changes to the tax rate must be taken into account if a law has already been enacted or is substantively enacted as of the balance sheet date.

Deferred taxes are recorded as tax income or expense in the income statement unless they relate to items recorded directly in equity; in this case, the deferred taxes are also recognized directly in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities and if they relate to income taxes levied by the same taxation authority on the same taxable entity.

Contingent Assets and Contingent Liabilities

Contingent liabilities are only recognized in the financial statements if their utilization is more likely than not. Otherwise they are disclosed separately in the notes to the financial statements unless an outflow of resources embodying economic benefits is remote. There are no contingent liabilities.

Under IFRS 3.37, contingent liabilities are recognized in business combinations if the fair value can be reliably measured.

Contingent assets are not stated in the balance sheet. However, they are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements pursuant to IFRSs requires some estimates and assumptions. These have an influence on the amounts calculated for assets, liabilities and financial obligations as of the balance sheet date as well as on the disclosure of income and expenses. Actual results may differ from these estimates.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of Non-Financial Assets
The Group determines at each balance sheet date whether there is evidence that non-financial assets are impaired. 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 if there is any indication that the carrying amount exceeds the recoverable amount. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset or cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgment is required of management to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Pensions and Other Post-Employment Benefits
The cost of providing post-employment benefits under defined benefit plans is determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, expected income from plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. As of December 31, 2007, the provision for pensions and similar obligations amounted to EUR 3,356k (2006: EUR 2,491k).

Provisions
The recognition and measurement of other provisions is based on an estimation of the probability of a future outflow of resources as well as past experience and the circumstances as of the balance sheet date. The actual obligation can deviate from the amounts accrued.

II. Notes to the Consolidated Balance Sheet

Non-Current Assets

The development of non-current assets is presented in the following statement of changes in non-current assets.

Statement of Changes in Non-Current Assets of the MBB Group as of December 31, 2007

	Total cost € k	Additions in the fiscal year € k	Additions from acquisition accounting € k	Re-classifi-cation € k	Disposals from removal from the consolidated group € k
I. Intangible assets					
1. Franchises, industrial rights and similar rights and assets, and licenses in such rights	2,569	78	1,239	0	0
2. Goodwill	2,626	153	0	0	647
	5,195	**231**	**1,239**	**0**	**647**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land	36,666	2,657	10,332	0	407
2. Technical equipment and machines	34,332	678	623	1,415	0
3. Other equipment, furniture and fixtures	10,977	725	1,430	0	153
4. Payments on account and assets under construction	1,468	1,568	0	-1,415	0
	83,443	**5,628**	**12,385**	**0**	**560**
III. Financial assets					
1. Investments in affiliated entities	401	0	397	0	0
2. Investments in associates	47	25	0	0	0
3. Equity investments	2	2	0	0	0
4. Loans to affiliated entities	1,013	7	241	0	0
5. Other loans	496	176	0	0	371
	1,959	210	638	0	371
Total	**90,597**	**6,069**	**14,262**	**0**	**1,578**

Disposals in the fiscal year	Amortization, depreciation and write-downs in the fiscal year	Exchange rate differences	Total amortiztion, depreciation and write-downs	Carrying amount at the end of the fiscal year	Carrying amount at the end of the prior year
€ k	€ k	€ k	€ k	€ k	€ k
0	445	-34	11,120	1,663	825
0	1,821	0	0	780	3,095
0	**2,266**	**-34**	**11,120**	**2,443**	**3,920**
2,615	761	-31	7,874	28,761	19,586
213	3,427	17	17,560	16,789	17,696
228	466	-18	8,333	2,626	1,336
0	0	37	0	1,505	1,315
3,056	**4,654**	**5**	**33,767**	**49,681**	**39,933**
0	0	0	4	397	0
20	0	0	0	47	42
0	0	0	0	2	0
0	0	0	765	248	0
9	0	0	0	496	700
29	0	0	769	1,190	742
3,085	**6,920**	**-29**	**45,656**	**53,314**	**44,595**

1. Goodwill

The goodwill reported as of the balance sheet date stems from the acquisition of the Romanian Delignit entities (Wood division) and of Hanke Tissue Sp. z o.o., Kostrzyn, Poland (Paper division).

EUR 0.6m of the changes in the fiscal year relate to disposals from the sale of Erwin Huchtemeier Recycling GmbH (Paper division) and from the reduction in the share in the equity of Delignit AG (Wood division) due to the cash capital increase in connection with the IPO.

In addition, impairment losses were charged on the goodwill of Hanke Papier GmbH (EUR 1.6m) and of Westfalia Recycling GmbH (EUR 0.2m) as a result of the impairment tests performed.

An impairment test was performed on the goodwill of each cash-generating unit. Apart from the two instances mentioned above, there was no need to record impairment losses.

The impairment tests were based on the value in use of the cash-generating units, the calculation of which was derived from forecast earnings from a five-year plan. Budget figures were calculated taking into account current and future probabilities, the expected economic development and other circumstances. The budget figures for the last budget year were used for the standard year (perpetual annuity). A discount rate of 12% was used. No growth discount was applied in the standard year for reasons of prudence.

2. Property, Plant and Equipment

For the development of all non-current assets including property, plant and equipment and financial assets, please see the presentation in the statement of changes in non-current assets.

3. Investment in an Associate

The Group has a share of 20% in KKS Hahn Konzert- und Veranstaltungs-Service GmbH, Leverkusen, Germany.

Its key figures are as follows:

	2007 € k	2006 € k
Total assets	665	684
Liabilities	245	337
Revenue	2,082	2,334
Profit for the year	153	155

4. Other Loans

The other loans (EUR 0.3m; prior year: EUR 0.7m) are interest-bearing loans granted to third parties (EUR 0.5m) and long-term fixed deposits to safeguard “Altersteilzeit” (German special phased retirement scheme) obligations in the event of insolvency (EUR 0.2m).

5. Inventories

	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Raw materials, consumables and supplies	8,702	3,604
Work in process	5,358	2,880
Finished goods	7,208	6,752
Payments on account	485	123
Total	**21,753**	**13,359**

Inventory range write-downs of EUR 551k were recognized on raw materials, consumables and supplies as of December 31, 2007.

6. Trade Receivables

	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Trade receivables	21,626	7,627
Less specific bad dept allowance	-1,172	-639
Total	**20,454**	**6,988**

Gross receivables include receivables from the use of the percentage of completion method totaling EUR 748k (prior year: EUR 0k).

All trade receivables are due within one year.

7. Other Assets

These primarily include tax refund claims.

8. Securities

The securities are bonds and shares held for sale.

9. Deferred Taxes

Deferred tax assets			Deferred tax liabilities		
Dec. 31, 2007 € k	Dec. 31, 2006 € k	Jan. 01, 2006 € k	Dec. 31, 2007 € k	Dec. 31, 2006 € k	Jan. 01, 2006 € k
4,729	1,544	1,552	7,415	6,243	5,344

Deferred tax assets as of December 31, 2007 stem primarily from hidden charges recognized as liabilities in acquisition accounting, from the recognition of a restructuring provision in connection with the acquisition of the Reimelt-Henschel-Group, measurement differences for pension provisions in the IFRS balance sheet and the tax accounts, and from recognition of deferred taxes on unused tax losses.

Deferred tax liabilities result first and foremost from the remeasurement of land and buildings as well as technical equipment, from posting the special item with an equity portion to income and from using the percentage of completion method for customer-specific plant construction contracts.

Development of the Net Item

	Dec. 31, 2007 € k	Dec. 31, 2006 € k	Jan. 01, 2006 € k
Deferred tax liabilities	-7,415	-6,243	-5,344
Deferred tax assets	4,729	1,544	1,552
Total	**-2,686**	**-4,699**	**-3,792**

Deferred tax assets on unused tax losses were recognized in full based on the expected earnings reported in the medium-term planning.

10. Equity

Capital Stock

The capital stock of MBB amounts to EUR 6,600,000 and is paid in in full. It is divided into 6,600,000 bearer shares (no par value shares).

In fiscal year 2006, the capital stock was increased by EUR 4,838,000 in the course of a capital increase from the capital reserves and by a further EUR 1,600,000 from EUR 162,000 to EUR 6,600,000 through the issue of new shares.

The shares were held as follows:

	Dec. 31, 2007 € k	%	Dec. 31, 2006 € k	%
MBB Capital Münster GmbH	3,008	45.57	3,008	45.57
MBB Capital GmbH	1,654	25.07	1,493	22.61
Tolea GmbH	130	1.97	130	1.97
Flowerfield GmbH	144	2.18	130	1.97
Freefloat	1,664	25.21	1,840	27.88
Total	**6,600**		**6,600**	

On the basis of the resolution of the annual general meeting of March 21, 2006, the Managing Board was authorized, with the approval of the Board of Directors, to increase the Company's capital stock once or several times in the period up to March 21, 2011. It may do so up to an amount of EUR 2,500,000 by issue of no par value bearer shares in return for cash and/or non-cash contributions (approved capital I).

Capital reserves

As in the prior year, the capital reserves stand at EUR 15,251k.

EUR 13,600,000 was added to the capital reserves in fiscal year 2006. The capital reserves resulted from the share premium that flowed to the Company from the issue of new shares.

In addition, the IPO costs less deferred taxes (EUR 741k) were taken into account in the capital reserves.

Dividends of EUR 660k were paid to the shareholders in fiscal year 2007. EUR 0.10 was distributed for each share.

Legal Reserve

In 2006, 5% of the parent's profit for the year was added to the legal reserve.

For the development of equity, see page 34f.

11. Provisions for Pensions and Similar Obligations

	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Pension provisions at the beginning of the fiscal year	2,491	2,544
+ Additions from acquisition accounting	1,213	367
- Reversal	0	0
- Reversal in connection with the sale of subsidiaries	-263	0
- Utilization	-270	-247
+ Addition to provisions (service cost)	115	0
+ Addition to provisions (interest cost)	125	90
- / + Actuarial gains/losses	-55	-263
Pension provisions at the end of the fiscal year	3,356	2,491

The following actuarial assumptions were used:

Interest rate	5.5 %	4.50 %
Increase in pensions	2.0 %	1.75 %
Increase in salaries	2.5 %	n/a

The pension plans are not funded.

The liabilities correspond to the obligation (DBO).

The amounts of income and expenses recognized in the income statement are as follows:

	2007 € k	2006 € k
Addition to provisions (service cost)	-115	0
Addition to provisions (interest cost)	-125	-90
Reversal in connection with the sale of subsidiaries	263	0
Actuarial gains/losses	55	263
Total	**78**	**173**

The expected benefits from the pension plans for 2008 amount to EUR 0.3m.

12. Liabilities

The maturities of the liabilities are as follows:

December 31, 2007	Remaining term			
	up to 1 year € k	between 1 and 5 years € k	more than 5 years € k	Total € k
Liabilities to banks	14,611	5,380	6,168	26,159
Payments on account received	6,138	0	0	6,138
Trade payables	12,128	0	0	12,128
Other liabilities	5,659	1,251	0	6,910
Accruals	3,790	0	0	3,790
Total	**42,326**	**6,631**	**6,168**	**55,125**

December 31, 2007	Remaining term			
	up to 1 year € k	between 1 and 5 years € k	more than 5 years € k	Total € k
Liabilities to banks	8,445	9,217	0	17,662
Payments on account received	479	0	0	479
Trade payables	10,892	0	0	10,892
Other liabilities	3,485	1,243	0	4,728
Accruals	505	0	0	505
Total	**23,806**	**10,460**	**0**	**34,266**

Liabilities to banks are subject to interest at rates of between 4.8% and 14.75%. Land and buildings, technical equipment and machines as well as inventories and receivables have been pledged as collateral. The carrying amount of the pledged assets amounts to EUR 35,175k as December 31, 2007.

14. Other Liabilities

Other liabilities are as follows:

	2007 € k	2006 € k
Other non-current liabilities		
Lease liabilities	1,251	1,243
	1,251	**1,243**
Other current liabilities		
Commissions	1,477	15
Wages and salaries	710	699
Wage tax	624	299
VAT	209	0
Lease liabilities	772	422
Social insurance	560	582
Short-term loans	0	268
Liabilities to minority interests	0	156
Other	1,307	1,044
Total	**5,659**	**3,485**

15. Provisions

Non-current provisions contain pension provisions (EUR 3,356k; prior year: EUR 2,491k) and provisions for deferred taxes (EUR 7,415k; prior year: EUR 6,243k).

Current provisions and accruals are as follows:

	Jan. 1, 2007	Acquisition accounting	Utilisation	Reversal	Addition	Removal from consolidated group	Dec. 31, 2007
Litigation costs	0	8,956	47	50	0	0	8,859
Warranties	0	2,939	231	268	0	0	2,440
Restructuring	152	66	197	20	2,431	0	2,432
Long-service awards	26	244	3	0	1	0	268
Financial statement preparation and audit costs	146	102	143	2	195	0	298
Bonuses	30	0	30	0	5	0	5
Others	250	1,408	680	456	210	125	607
	604	13,715	1,331	796	2,842	125	14,909
Outstanding invoices	46	840	0	0	119	0	1,005
Vacation	258	768	240	0	198	0	984
Flextime	16	660	0	12	0	0	664
Variable salary and commissions	0	1,074	469	0	0	0	605
Phased retirement	286	111	0	0	84	0	481
Employer's liability insurance	40	140	15	0	0	0	165
	646	3,593	724	12	401	0	3,904
Total	**1,250**	**17,308**	**2,055**	**808**	**3,243**	**125**	**18,813**

Litigation Costs

The investee Reimelt Corporation (US) has been sued for damages in two separate cases currently pending in the US. One of these cases also involves a suit against Reimelt GmbH. As the proceedings are still in a very early stage (discovery), it is not yet possible to assess the risks conclusively. It is possible that the Reimelt entities will be liable to pay an amount that exceeds the existing insurance coverage and the provisions recognized in the consolidated financial statements.

Restructuring

EUR 2.4m of the provisions for restructuring relates to severance payments and EUR 0.1m relates to other costs.

In December 2007, the Managing Board of MBB agreed on a restructuring program for the Reimelt-Henschel-Group. The key objectives are to optimize the cost structures and processes in order to raise efficiency. An integral part of the program is to reduce excess capacities.

The accrual for phased retirement obligations is discounted using an interest rate of 5.5%.

For the main provisions, with the exception of the provision for litigation costs, the outflow of resources is expected in the following fiscal year. Because litigation is pending, it is not currently possible to estimate the potential timing of an outflow of resources from the provision for litigation costs.

The tax provisions are as follows:

	2007 € k	2006 € k
Trade tax	227	12
Corporate income tax	149	58
Other taxes	122	93
Total	**498**	**163**

16. Rent and Lease Obligations

Operating Leases and Rent

	Dec. 31, 2007 € k	Dec. 31, 2006 € k
Minimum lease payments from operating leases	1,622	1,372

As of the balance sheet date, the Group has outstanding obligations from non-cancelable operating leases due as follows:

Within one year	752	373
After one year but not more than five years	870	999
More than five years	0	0
Minimum rent payments	824	746

As of the balance sheet date, the Group has outstanding obligations from rental agreements due as follows:

Within one year	520	431
After one year but not more than five years	304	315
More than five years	0	0
Cost of operating leases and rental agreements in the reporting year	1,144	1,107

Leases are concluded with an average term of three years (36 months).

Finance Leases

The following assets are used as part of finance leases:

	2007 € k	2006 € k
Technical equipment and machines		
Cost as of Jan. 1	0	2,990
Change in consolidated group	1,696	574
Additions	1,294	715
Cost as of Dec. 31	2,990	4,279
Depreciation as of Jan. 1	0	-559
Additions	-559	-648
Depreciation as of Dec. 31	-559	-1,207
Carrying amount	**2,431**	**3,072**
Furniture and fixtures		
Cost as of Jan. 1	0	49
Additions	49	118
Cost as of Dec. 31	49	167
Depreciation as of Jan. 1	0	-4
Additions	-4	-16
Depreciation as of Dec. 31	-4	-20
Carrying amount	**45**	**147**

Future minimum lease payments for the above finance leases are as follows:

	within 1 year	1-5 years	more than 5 years
Lease payments	948	1,468	0
Discounted amounts	-176	-217	0
Present values	772	1,251	0

III. Notes to the Income Statement

1. Revenue

Revenue increased compared to 2006 by a total of EUR 50.7m to EUR 113.6m. The development of revenue is explained in the management report. The segment report contains a breakdown in which revenue is split primarily by geographic segment and then by business segment.

Revenue From Construction Contracts

In the case of construction contracts in plant construction, the contract revenue and costs associated with the construction contracts are recognized as revenue and expenses by reference to the stage of completion at the balance sheet date.

The stage or percentage of completion of the contract is calculated as the ratio of the contract costs incurred as of the balance sheet date to the total estimated contract costs on the balance sheet date using ongoing contract costing.

Contract revenue is calculated using the contractual documents and binding offers available:

	€ k
Contract revenue recognized in the reporting period	7,342
Costs recognized in the reporting period	5,087
Payments on account received	7,676

2. Other Operating Income

	2007 € k	2006 € k
Reversal of credit difference from acquisition accounting	9,123	2,582
Income from removals from consolidated group/ change in minority interests	4,007	0
Insurance indemnification	1,606	245
Income from the reversal of provisions	808	404
Income relating to other periods	360	66
Income from the reversal of bad debt allowances	236	20
Income from rent	90	75
Income from the refund of mineral oil and electricity tax	79	66
Exchange gains	35	181
Income from the disposal of non-current assets	36	644
Others	864	1,526
Total	**17,244**	**5,809**

The credit difference from acquisition accounting for the shares in Reimelt Henschel Holding GmbH was posted to income.

The income from the removal from the consolidated group/changes in minority interests in fiscal year 2007 stem from the sale of Erwin Huchtemeier Recycling GmbH and the IPO of Delignit AG.

3. Other Operating Expenses

	2007 € k	2006 € k
Maintenance costs	2,455	1,857
Restructuring expenses	2,379	0
Travel/vehicle costs	1,658	736
Legal and consulting costs	1,497	935
Rents and Leases	1,235	944
Exchange losses	156	16
Other services	800	1,221
Advertising costs	557	335
Bank charges and fees	474	293
Bad debts and bad debt allowances	364	192
Insurance	370	364
Telephone, postage, fax	360	222
Fees and contributions	351	98
Other personnel expenses	252	140
Selling expenses/freight costs	251	3
Other taxes	110	180
Expenses relating to other periods	266	150
Espenses from the disposal of non-current assets	24	1,111
Others	1,231	1,200
Total	**14,790**	**9,997**

4. Finance Costs

	2007 € k	2006 € k
Interest	1,799	813
Interest expense from finance leases	59	40
Other interest and similar expenses	229	811
Total	**2,087**	**1,664**

5. Finance Income

	2007 € k	2006 € k
Interest	357	18
Other interest and similar income	180	281
Total	**537**	**299**

6. Income Taxes

	2007 € k	2006 € k
Trade tax	-314	-49
Corporate income tax	-802	-11
Other tax expense	-321	-224
Deferred taxes	2,287	-891
Total	**850**	**-1,175**

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group's applicable tax rate for fiscal years 2007 and 2006 is as follows:

	2007 € k	2006 € k
Result from ordinary activities	12,708	5,545
Applicable (statutory) tax rate	40.0 %	40.0 %
Expected tax income	5,083	2,218
Differences from foreign tax rates	-127	-252
Effect of tax rate change	-1,182	0
Goodwill impairment that is not tax-deductible	637	0
Tax-free income from the sale of equity investments	-1,603	-199
Income from reversal of the credit difference	-3,649	-615
Other tax effects	-9	23
Current tax expense	**-850**	**1,175**

7. Earnings Per Share

Earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2007 €	2006 €
Profit attributable to ordinary equity holders of the parent	13,629,273	4,257,524
Weighted average number of ordinary shares for earnings per share	6,600,000	6.600.000
Earnings per share	2.07	0.65

IV. Segment Report

For management purposes, the Group is organized into business units by product and service, and has the following operating segments subject to reporting:

Wood Materials:

The Delignit group develops, manufactures and sells ecological products based on the natural, renewable and CO_2-neutral raw material wood. As a development, project and series supplier for such technological sectors as the automotive and aviation industries, the business activities of the Delignit Group center on creating and implementing technological and customized applications and systems. These are based on Delignit, a material primarily produced from beech wood. Unlike many other raw materials, wood is carbon neutral throughout its life cycle and thus superior to other materials from an ecological perspective. This means that the use of Delignit materials as a substitute for applications from non-renewable raw materials improves the environmental performance of customer products and fulfills their growing ecological demands.

Paper:

The Huchtemeier and Hanke entities are involved in the trade of paper and the production of tissue products. In 2006, MBB AG acquired a majority interest in the entities.

Huchtemeier is an international paper trading group. In addition to quality paper and pulp, the entity markets waste paper to the paper-processing industry. Huchtemeier has been trading in paper for over a century.

Hanke produces raw tissue wadding and napkins. It maintains a strong competitive position in the eastern European consumer goods market. It also produces white and colored tissue for many private-label suppliers throughout Europe. The Polish entity Hanke Tissue Sp. z o.o. in Kostrzyn constitutes the core of the entity's activities.

Plant Construction:

The 13 individual entities that make up the Reimelt-Henschel Group produce components and systems for handling and processing powdered and liquid raw materials for the food and chemical industries. The entity's business activities date back to 1810. Reimelt-Henschel has its own sales and service companies in the US, Brazil, Canada, the UK and France as well as in Korea, Hong Kong and China. Reimelt's process technology makes it the world market leader in the food industry.

Synthetics:

OBO is an internationally operating supplier of polyurethane boards for use in model, mold and tool construction. The majority of OBO's customers are model shops in the automotive industry. To a lesser extent, the entity is also involved in developing board materials made from recycled materials with its company PURcycl GmbH.

Management monitors the operating result of the business units separately in order to take decisions concerning the distribution of resources and determine the earnings power of the units. The development of the segments is measured using the operating result. Calculation of the operating result can diverge from the consolidated financial statements in certain areas (see the following table). Group financing (including finance costs and income) as well as income taxes are managed for the entire Group and not allocated to the individual operating segments.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Financial year as of December 31, 2007

	Wood materials € k	Paper € k	Plant construction € k	Synthetics € k	Consolidation € k	Group € k
Third parties	40,447	33,147	32,036	8,009	9	113,648
Other segments	767	0	0	513	-1,280	0
Total revenue	**41,214**	**33,147**	**32,036**	**8,522**	**-1,271**	**113,648**
Earnings (EBIT)	**4,800**	**1,272**	**2,179**	**16**	**6,101**	**14,368**
Amortization and depreciation	3,041	3,027	488	525	-161	6,920
Share of profit of an associate	0	26	0	0		
Capital expenditure	5,022	407	344	34		
Investments in associates	0	47	0	0		
Segment assets	**42,596**	**14,767**	**47,036**	**8,098**		
Segment liabilities	**7,229**	**4,611**	**32,842**	**995**		

Reconciliation of EBIT to profit for the year

	€ k
Total EBIT of segments	**14,368**
Financial result	-1,550
EBT	12,818
Income taxes	850
Other taxes	-110
PAT	13,558
Minority interests	71
Profit for the year	**13,629**

Reconciliation of segment assets to assets

	€ k
Wood segment	42,596
Paper segment	14,767
Plant construction segment	47,036
Synthetics segment	8,098
Total segment assets	**112,497**
Deferred tax assets	4,729
Bank balances	12,850
Financial assets	1,143
Other assets	698
Total assets	**131,918**

Reconciliation of segment liabilities to equity and liabilities

	€ k
Wood segment	7,229
Paper segment	4,611
Plant construction segment	32,842
Synthetics segment	995
Total segment liabilities	**45,677**
Consolidated capital	50,501
Deferred tax liabilities	7,415
Liabilities to banks	26,159
Lease liabilities	2,023
Other liabilities	143
Total equity and liabilities	**131,918**

Die Segmentschulden betreffen keine Verbindlichkeiten aus Steuern, Finance-Leasingverhältnissen sowie Verbindlichkeiten gegenüber Kreditinstituten.

Fiscal year as of December 31, 2006

	Wood materials € k	Paper € k	Plant construction € k	Synthetics € k	Consolidation € k	Group € k
Third parties	35,212	18,242	0	9,461	0	62,915
Other Segments	675	0	0	388	-1,063	0
Total revenue	**35,887**	**18,242**	**0**	**9,849**	**-1,063**	**62,915**
Earnings (EBIT)	**2,157**	**3,623**	**0**	**916**	**392**	**7,088**
Amortization and depreciation	2,507	694	0	708	-343	3,566
Share of profit of an associate	0	31	0	0	0	31
Investments in associates	0	42	0	0	0	42
Segment assets	**39,301**	**19,261**	**0**	**8,402**		
Segment liabilities	**9,960**	**7,559**	**0**	**915**		

Reconciliation of EBIT to profit for the year

	€ k
Total EBIT of segments	**7,088**
Financial result	-1,365
EBT	5,723
Income taxes	-1,175
Other taxes	-180
PAT	4,368
Minority interests	-112
Profit for the year	**4,256**

Reconciliation of segment assets to assets

	€ k
Wood segment	39,302
Paper segment	19,261
Plant construction segment	0
Synthetics segment	8,402
Total segment assets	**66,965**
Deferred tax assets	1,544
Bank balances	8,490
Securities	738
Loans	700
Other assets	991
Total assets	**79,428**

Reconciliation of segment liabilities to equity and liabilities

	€ k
Wood segment	9,960
Paper segment	7,559
Plant construction segment	0
Synthetics segment	915
Total segment liabilities	**18,434**
Consolidated equity	35,520
Deferred tax liabilities	6,243
Liabilities to banks	17,662
Lease liabilities	1,665
Other liabilities	-96
Total equity and liabilities	**79,428**

Information by Region

Revenue From External Customers

	2007 € k	2006 € k
Europe	97,750	59,643
USA	6,770	1,879
Asia	5,683	387
Other	3,445	1,006
Total	**113,648**	**62,915**

Non-Current Assets

	2007 € k	2006 € k
Europe	51,797	43,853
USA	327	0
Asia	0	0
Other	0	0
Total	**52,124**	**43,853**

The non-current assets reported here include property, plant and equipment and intangible assets.

V. Notes to the Consolidated Cash Flow Statement

The cash flow statement has been prepared pursuant to IAS 7 (Cash Flow Statements). The cash flows in the cash flow statement are subdivided into operating, investing and financing activities, and the total cash flows from these three areas correspond to the change in cash and cash equivalents.

The consolidated cash flow statement is prepared using the indirect method.

The cash and cash equivalents reported are not subject to any restrictions by third parties on disposal. The Group did not make any payments for extraordinary transactions. Payments for income taxes are reported separately.

VI. Changes in the Consolidated Group

In fiscal year 2007 the Group acquired 100% of the shares in the Reimelt-Henschel-Group and the remaining 20% of shares in Westfalia Recycling GmbH by way of share deals. Total purchase prices of EUR 4.6m were payable for the acquisition of the shares and operations.

In detail, the following assets and liabilities were acquired, measured at fair value:

	€ k
Cash and cash equivalents	9,167
Customer receivables	21,713
Non-current assets	14,263
Other assets	5,345
Financial liabilities	-4,920
Supplier liabilities	-7,832
Other liabilities/provisions	-18,263
Contingent liabilities (after taxes)	-5,950
Subtotal	**13,523**
Acquisition of minority interests	57
Goodwill	153
Credit difference	-9.123
Total purchase price	**4,610**

The acquisitions in investing activities are presented in the cash flow statement as follows:

	€ k
Purchase price payable in cash	-4,610
net of cash acquired	9,167
Cash inflow	4,557

The sale of Erwin Huchtemeier Recycling was recognized in investing activities as follows:

	€ k
Purchase price received in cash	2,136
net of cash sold	-1
Cash inflow	2,135

The acquisition of the Reimelt-Henschel-Group in 2007 changes the consolidated group substantially, as a result of which comparability with the prior year is restricted.

For better comparability, the following pro forma data are provided:

	2007 € k	2007 Pro-Forma € k	2006 € k
Revenue	113,648	176,623	62,915
Consolidated profit for the year	13,629	12,683	4,256

The Reimelt-Henschel-Group acquired in 2007 has resulted in a negative earnings contribution for the Group of EUR 0.3m since the date of acquisition – not including the income from the reversal of the credit difference from acquisition accounting of EUR 9.1m.

VII. Notes on the Conversion from HGB to IFRS Accounting Principles

The main differences for the Group in the accounting policies as of the date of conversion, January 1, 2006, and as of December 31, 2006 (comparison date) are explained below.

VII.1. Reconciliation of Equity as of January 1, 2006

	HGB € k	IFRS-conversion effects € k	IFRSs € k
Start-up and business expansion expenses	**207**	**-207**	**0**
Non-current assets	31,087	4,203	35,290
Franchises, industrial rights and similar rights and assets	148	770	918
Goodwill	2,731	-2,478	253
Intangible assets	**2,879**	**-1,708**	**1,717**
Land and buildings, including buildings on third-party land	16,537	1,843	18,380
Technical equipment and machines	8,488	2,517	11,005
Other equipment, furniture and fixtures	1,163	9	1,172
Payments on account and assets under construction	2,010	0	2,010
Property, plant and equipment	**28,198**	**4,369**	**32,567**
Financial assets	**10**	**-10**	**0**
Deferred taxes	**0**	**1,552**	**1,552**
Current assets	10,269	-171	10,098
Inventories	**6,094**	**-130**	**5,964**
Receivables and other assets	**3,837**	**-51**	**3,786**
Other securities	**0**	**10**	**10**
Cash on hand, bank balances	**338**	**0**	**338**
Total assets	**41,563**	**3,825**	**45,388**

	HGB € k	IFRS-conversion effects € k	IFRSs € k
Equity	15,484	179	15,663
Subscribed capital	162	0	162
Capital reserves	7,230	0	7,230
Adjustment item for foreign currency translation	-140	-84	-224
Retained earnings	1,749	5,283	7,032
Credit difference from acquisition accounting	5,213	-5,213	0
Adjustment item for minority interests	1,270	193	1,463
Liabilities and provisions	26,079	3,646	29,725
Pension provisions	2,179	365	2,544
Provisions for deferred taxes	1,919	3,425	5,344
Liabilities to banks	14,121	0	14,121
Other liabilities	7,860	-144	7,716
Total equity and liabilities	**41,563**	**3,825**	**45,388**

The measurement adjustments as of January 1, 2006 relate to the following material issues:

Start-Up and Business Expansion Expenses

The start-up and expansion business expenses capitalized pursuant to Art. 269 HGB were removed in full as this is merely an accounting convenience in German commercial law.

Goodwill

When preparing its first-time IFRS financial statements, MBB Industries AG did not use the simplification rules of IFRS 1.B2, instead applying IFRS 3 in full for all past business combinations. As a result, all acquisitions carried out in fiscal year 2005 (when MBB Industries commenced business activities) were consolidated in accordance with the provisions of IFRS 3. In connection with the recognition of further hidden reserves and charges, this led to a reduction of the residual amount reported in goodwill accordingly.

Franchises, Industrial Rights

During acquisition accounting of the Synthetics division in 2005, a patent available for temporary use was recognized as an asset and amortized pro rata temporis for the 2005 period.

Property, Plant and Equipment

During acquisition accounting of the Wood division, in addition to the domestic hidden reserves previously recognized, additional hidden reserves in land and buildings, office buildings, technical equipment and furniture and fixtures of the Romanian entities were recognized in the carrying amount of the assets on the basis of appraisals.

Pension Provisions

The provisions for pensions recognized by the Group were recognized as liabilities according to IAS 19 for the first time, resulting in corresponding measurement adjustments.

Deferred Taxes

The changes in deferred taxes stem from the recognition of additional hidden reserves and charges during acquisition accounting pursuant to IFRS 3 for the 2005 period and from earnings differences due to adjustments to IFRSs.

VII.2 Reconciliation of Equity as of December 31, 2006 (Comparison Date)

Assets	HGB € k	IFRS-conversion effects € k	IFRSs € k
Start-up and business expansion expenses	**42**	**-42**	**0**
Non-current assets	40,147	5,992	46,139
Franchises, industrial rights and similar rights and assets	134	691	825
Goodwill	7,298	-4,203	3,095
Intangible assets	**7,432**	**-3,512**	**3,920**
Land and buildings, including buildings on third-party land	16,792	2,794	19,586
Technical equipment and machines	12,587	5,109	17,696
Other equipment, furniture and fixtures	1,279	57	1,336
Payments on account and assets under construction	1,315	0	1,315
Property, plant and equipment	**31,973**	**7,960**	**39,933**
Financial assets	**742**	**0**	**742**
Deferred taxes	**0**	**1,544**	**1,544**
Current assets	33,175	114	33,289
Inventories	**13,596**	**-237**	**13,359**
Receivables and other assets	**9,116**	**351**	**9,467**
Other securities	**738**	**0**	**738**
Cash on hand, bank balances	**9,725**	**0**	**9,725**
Total assets	**73,364**	**6,064**	**79,428**

Equity and liabilities	HGB € k	IFRS-conversion effects € k	IFRSs € k
Equity	34,380	1,140	35,520
Subscribed capital	6,600	0	6,600
Capital reserves	15,992	-741	15,251
Legal reserve	61	0	61
Currency translation difference	654	219	873
Earnings carried forward	1,510	5,463	6,973
Profit for the year	4,042	216	4,258
Credit difference from aquisition accounting	4,199	-4,199	0
Adjustment item for minority interests	1,322	182	1,504
Special item with equity portion	1,505	-1,505	0
Liabilities and provisions	37,479	6,429	43,908
Pensions and provisions	2,077	414	2,491
Provisions for deferred taxes	1,763	4,480	6,243
Liabilities to banks	18,496	-834	17,662
Other liabilities	15,143	2,369	17,512
Total equity and liabilities	**73,364**	**6,064**	**79,428**

The measurement adjustments as of December 31, 2006 relate to the following material issues:

Start-Up and Business Expansion Expenses

The start-up and business expansion expenses capitalized pursuant to Art. 269 HGB were removed in full as this is merely an accounting convenience in German commercial law.

Goodwill

When preparing its first-time IFRS financial statements, MBB Industries AG did not use the simplification rules of IFRS 1.B2, instead applying IFRS 3 in full for all past business combinations. As a result, all acquisitions carried out in fiscal year 2005 (when MBB Industries commenced business activities) were consolidated in accordance with the provisions of IFRS 3. In connection with the recognition of further hidden reserves and charges, this led to a reduction of the residual amount reported in goodwill accordingly.

Franchises, Industrial Rights

During acquisition accounting of the Synthetics division in 2005, a patent available for temporary use was recognized as an asset and amortized pro rata temporis for the 2005 period.

Property, Plant and Equipment

During acquisition accounting of the Wood division in 2005, in addition to the domestic hidden reserves previously recognized, additional hidden reserves in land and buildings, office buildings, technical equipment and furniture and fixtures of the Romanian entities were recognized in the carrying amount of the assets on the basis of appraisals.

In connection with the acquisition accounting of the Paper division in 2006, hidden reserves in land and buildings and in buildings of EUR 826k as well as in technical equipment of EUR 1,540k were uncovered and recognized accordingly.

Furthermore, technical equipment and furniture and fixtures were recognized in the reporting period under finance leases with a cost of EUR 1,342k in total in addition to the technical equipment already disclosed under HGB.

The hidden reserves recognized on assets with a finite useful life were depreciated pro rata temporis in 2006.

Special Item With an Equity Portion

The special item with an equity portion disclosed as a liability for the first time in the HGB consolidated financial statements for 2006 was taken to income in the IFRS financial statements. The special item relates to a post-merger gain on consolidation of receivables and liabilities due to the mergers carried out within the newly acquired entities in the reporting period.

Pension Provisions

The provisions for pensions recognized by the Group were recognized as liabilities according to IAS 19, resulting in corresponding measurement adjustments.

Deferred Taxes

The changes in deferred taxes stem from the recognition of additional hidden reserves and charges during acquisition accounting pursuant to IFRS 3 for the 2005 period and from earnings differences due to adjustments to IFRSs.

Liabilities to Banks

The decline in liabilities to banks is due to the reclassification of liabilities to lessors from finance leases to other liabilities in order to improve the informative value of the financial statements.

Other Liabilities

The increase in other liabilities by a total of EUR 2,369k is due first and foremost to the aforementioned reclassification from liabilities to banks and to the recognition of further liabilities from finance leases when converting to IFRSs.

Reconciliation of Consolidated Profit for the Year

	€ k
Consolidated profit for the year under HGB as of Dec. 31, 2006	**4,042**
Offsetting IPO costs against equity (net)	1,235
Cancellation of recognition of special item	1,505
Reduction of credit difference from purchase accounting	-1,150
Additional depreciation of hidden reserves	-612
Cancellation of amortization of accounting aid business start-up	166
Recognition of finance lease	181
Cancellation of goodwill amortization	274
IFRS adjustment to provision for phased retirement	-103
Other IFRS adjustments	-121
Deferred taxes	-1,047
Consolidated profit for the year under IFRSs as of Dec. 31, 2006	**4,370**

VIII. Financial Risk Management Objectives and Policies

Credit and Liquidity Risk

Credit risks result when customers are potentially no longer in a position to meet their obligations to the Company in line with the agreed conditions. These risks are managed using credit lines and control procedures. Where appropriate, the Company obtains collateral. The MBB Group has no significant concentration of credit risk with any single counterparty or any group of counterparties with similar characteristics. The maximum credit risk equals the carrying amounts of the financial assets recognized in the balance sheet.

The MBB Group constantly monitors the risk of a liquidity bottleneck and endeavors to have sufficient cash and cash equivalents or corresponding lines of credit to fulfill its future obligations. The maturities of both the financial investments and financial assets (e.g. receivables) and projected cash flows from operations are considered. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and loans.

For the maturities of the financial liabilities, see page 57.

Exchange Rate Risk

Transactions within the Group are normally carried out in euros. As the balance of unsecured foreign currency items in the Group due to transactions with third-party entities outside of the euro zone has been limited to date, the MBB Group does not actively use currency hedges for other currencies.

The volume of foreign currency revenue within the MBB Group has increased significantly since the acquisition of the Reimelt Group. Nevertheless, the foreign transactions are generally carried out in the respective foreign currencies – both on the procurement and sales sides – and the resulting currency risks are thus comparatively low on the whole.

Fair Value Risk

The financial instruments not recognized at fair value within the MBB Group primarily comprise cash and cash equivalents, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities.

The carrying amount of cash and cash equivalents approximates fair value due to the high liquidity of these instruments. The carrying amount of receivables and payables subject to normal trade credit terms carried at cost also approximates fair value. The fair value risks for liabilities to banks are limited, as the fixed interest rates are in the customary range.

Interest Rate Risk

Fixed interest rates are agreed for most of the interest-bearing receivables and non-current financial liabilities of the Group. Market interest rate fluctuations in relation to receivables and liabilities with fixed interest only affect profit or loss if they are measured at fair value. As this is not the case, these financial instruments are not exposed to any interest rate risk pursuant to IFRS 7.

Capital Management

The Group's capital management aims to secure strong balance sheet ratios in the interests of the Group's rating and therefore also to maintain the Group's creditworthiness and independence. Changes in the economic situation are taken into account in capital management.

The Group manages its capital structure based on the predominant economic situation. No adjustments or amendments were made to capital management objectives and requirements in fiscal years 2007 and 2006.

The capital structure is monitored by means of the equity ratio and the debt-equity ratio. The Group's equity ratio is 38.3% as of December 31, 2007 (prior year: 45.4%). The Group is obliged to meet certain equity ratios based on the agreement of several financial covenants when taking out loans.

IX. Other Notes

Managing Board

MBB's Managing Board comprised the following members in fiscal year 2007:

- Dr. Christof Nesemeier, business administration graduate, entrepreneur, CEO
- Gert-Maria Freimuth, business administration graduate, enterpreneur

Board of Directors

MBB's Board of Directors comprised the following members in fiscal year 2007:

- Dr. Peter Niggemann, Chairman of the Board of Directors
- Dr. Jan C. Heitmüller, Deputy Chairman of the Board of Directors
- Dr. Matthias Rumpelhardt

Management Remuneration

The Managing Board remuneration consists of a fixed component and a variable component. The Managing Board and management also receive a refund for expenses in return for receipts. Furthermore, D&O insurance without a deductible has been concluded. Each Managing Board member also has a company car for professional use. No other payments have been agreed (e.g. paid sick leave, pension entitlements, direct commitments or severance payments).

In fiscal year 2007, the expenses for the fixed remuneration were as follows:

- Dr. Christof Nesemeier, CEO
  counterparty to MBB Capital GmbH
  EUR 240,000.00

- Gert-Maria Freimuth, Managing Board member
  counterparty to MBB Capital GmbH
  EUR 216,000.00

The members of the Managing Board also personally received Board of Directors compensation for Delignit AG of EUR 10,000.00 and EUR 7,500.00, respectively, for 2007.

Pursuant to a resolution by the Board of Directors on November 20, 2006 and the corresponding service agreements dated November 21, 2006, the Managing Board and management of MBB Industries AG receive total variable remuneration of 9% of the amount of net consolidated earnings after taxes and minority interests exceeding EUR 3,300,000.00. The distribution amongst members of management and the Managing Board of MBB Industries AG is carried out based on a proposal by the CEO by resolution of the Board of Directors. In anticipation of a declaration of compliance with the German Corporate Governance Code dated June 14, 2007, the management and Managing Board have limited variable remuneration for the fiscal year to a net consolidated earnings after taxes and minority interests figure of EUR 9,900,000.00 pursuant to Art. 161 AktG ["Aktiengesetz": German Stock Corporation Act], i.e. net consolidated earnings after taxes and minority interests in excess of that amount does not lead to additional variable remuneration.

Net consolidated earnings after taxes and minority interests for fiscal year 2007 amount to EUR 13,629,273.00. The Managing Board and management are thus entitled to total variable remuneration of 9% of EUR 6,600,000.00. This amounts to a figure of EUR 594,000.00. The CEO will propose the following variable remuneration for the Managing Board to the Board of Directors on April 7, 2008:

- Dr. Christof Nesemeier, CEO
  counterparty to MBB Capital GmbH
  EUR 136,620.00

- Gert-Maria Freimuth, Managing Board member
  counterparty to MBB Capital GmbH
  EUR 148,500.00

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 policies.

The following persons are related parties:

a. Managing Board

Please refer to the comments on Managing Board remuneration.

b. Members of MBB's Board of Directors

The members of the Board of Directors received fixed compensation of EUR 13,500 in fiscal year 2007.

Pursuant to the resolution of the annual general meeting on June 11, 2007, the members of the Board of Directors are entitled to variable compensation as follows:

The Board of Directors receives in addition variable compensation of 1% in total of the amount of net earnings in the fiscal year exceeding EUR 3,300,000.00 (net consolidated earnings after taxes and minority interests), for the first time for fiscal year 2007.

Variable compensation is distributed amongst the individual members of the Board of Directors as follows:

- Chairman 0.4%
- Deputy Chairman 0.3%
- Member 0.3%

Similar to management and the Managing Board, the Board of Directors also agreed to limit the measurement base for variable compensation to net earnings of EUR 9,900,000. The Board of Directors is therefore entitled to total variable compensation of EUR 66,000.

A corresponding provision was recognized in the 2007 financial statements of MBB Industries AG for variable compensation that has not yet been paid. Payment is made after the resolutions are passed by the Board of Directors.

The affiliated entities included in the consolidated financial statements are related parties. Transactions between the Company and its subsidiaries were eliminated during consolidation and are not explained in these notes.

Related parties also include entities described as affiliated entities of the aforementioned related parties. In the course of the year, group entities carried out the following transactions with related parties which do not belong to the Group:

MBB Capital Group GmbH, Münster, Germany, has an indirect shareholding in MBB via its wholly-owned subsidiaries MBB Capital Münster GmbH, Münster and MBB Capital GmbH, Berlin, Germany.

Pursuant to a framework agreement dated November 20, 2006, MBB pays MBB Capital GmbH, Berlin, on a monthly basis for the Managing Board activities of Mr. Gert-Maria Freimuth and Dr. Christof Nesemeier. Please see the above comments concerning the amount of fixed and variable remuneration.

On June 30, 2007, MBB sold a used car to MBB Capital GmbH, Berlin, for a price of EUR 38,109.24 plus VAT. The price corresponds to the figure calculated in an appraisal.

Employees

The average number of employees in fiscal years 2007 and 2006 breaks down as follows:

	2007	2006
Wood materials	1,023	1,040
Paper	220	263
Plant construction	187	0
Synthetics	38	37
Total	**1,468**	**1,340**

Auditors' Fees

The fee recognized for auditors in fiscal year 2007 amounts to EUR 45k and relates solely to the audit of financial statements.

Events After the Balance Sheet Date

There were no material events after the balance sheet date.

Other Financial Obligations

As far as other financial obligations are concerned, please see our comments on operating leases.

Contingent Liabilities

20% of the shares in Hanke Tissue Sp. z.o.o., Kostrzyn, Poland, are subject to a subinvestment, whereby the subinvestors are entitled to 20% of the profit distributions, liquidation proceeds and gains on disposal for the fiscal years. MBB is initially entitled to all of the gains on disposal of the shares of EUR 2,650k plus interest.

In connection with the sale of a second-tier subsidiary, MBB Industries AG submitted an absolute guarantee to the purchaser in order to secure against potential warranty risks of EUR 350k in total. The guarantee will decrease to EUR 75k as of December 31, 2008 in accordance with the terms of the agreement. The remaining amount will be time barred 60 months after the date of transfer. The Managing Board currently does not expect the guarantee to be utilized.

Berlin, Germany, April 7, 2008

MBB Industries AG
The Managing Board

Shareholdings of MBB industries AG, Berlin, Germany, as of December 31, 2007

Equity investment	Registered office	Share in capital	Currency (LC)	Equity in LC k	Earnings in LC k
Delignit AG	Blomberg	80.55 %	EUR	13,435	120
Blomberger Holzindustrie B. Hausmann GmbH & Co. KG	Blomberg	99.40 %	EUR	2,390	792
Hausmann Verwaltung GmbH	Blomberg	100.00 %	EUR	98	0
OBO Industrieanlagen GmbH	Stadthagen	5.20 %	EUR	239	26
Delignit Romania Srl.	Drobeta Turnu Severin	99.99 %	RON	12,450	649
Cildro S.A.	Drobeta Turnu Severin	93.93 %	RON	26,907	152
Cildro Service Srl.	Drobeta Turnu Severin	100.00 %	RON	847	-1,748
OBO Modulan GmbH	Stadthagen	100.00 %	EUR	2	2
OBO-Werke GmbH & Co KG	Stadthagen	100.00 %	EUR	904	-27
OBO Verwaltung GmbH	Stadthagen	100.00 %	EUR	33	0
PURcycl GmbH	Stadthagen	100.00 %	EUR	118	20
OBO Industrieanlagen GmbH	Stadthagen	94.80 %	EUR	239	26
Huchtemeier Verwaltung GmbH	Dortmund	100.00 %	EUR	24	-1
Huchtemeier Papier GmbH	Dortmund	80.00 %	EUR	202	52
KKS Hahn GmbH	Leverkusen	20.00 %	EUR	0	0
Hanke Tissue Sp. z o.o.	Kostrzyn	100.00 %	PLN	14,596	2,759
Westfalia Recycling GmbH	Dortmund	100.00 %	EUR	428	141
Reimelt Henschel Holding GmbH	Rödermark	100.00 %	EUR	11,535	29
Reimelt Henschel Mischsysteme GmbH	Kassel	100.00 %	EUR	3,440	1,190
Reimelt Henschel Asia Ltd.[3]	Hong Kong	33.30 %	HKD	1,605	164
Reimelt Henschel Trading Ltd.[3]	Shenzen	33.30 %	CNY	386	-166
Reimelt GmbH [1,2]	Rödermark	100.00 %	EUR	8,681	254
Dietrich Reimelt Pulsnitzer Maschinenbau GmbH [1]	Burkau	100.00 %	EUR	779	-
Reimelt FoodTechnologie GmbH [2]	Rödermark	100.00 %	EUR	801	-
Reimelt Korea Corp.	Seongeam	100.00 %	KRW	-33	88
Reimelt Canada	Richmond Hill	100.00 %	CAD	75	-22
Reimelt France E.U.R.L.	Venissieux	100.00 %	EUR	-435	31
Reimelt Corporation	Odessa, USA	100.00 %	USD	1,734	-515
Reimelt Ltda.[3]	São Paulo	90.00 %	BRL	397	-661
Reimelt Henschel Asia Ltd.[3]	Hong Kong	66.70 %	HKD	1,605	164
Reimelt Henschel Trading Ltd.[3]	Shenzen	66.70 %	CNY	386	-166

[1] A profit and loss transfer agreement was concluded between the company (Reimelt GmbH) and Dietrich Reimelt Pulsnitzer Manschinenbau GmbH, Durkau, Germany. Consequently the profit for the year was reported as EUR 0.00.

[2] A profit and loss transfer agreement was concluded between the Company (Reimelt GmbH) and Reimelt FoodTechnologie GmbH, Rödermark, Germany. Consequently the profit for the year was reported as EUR 0.00.

[3] Figures relate to the financial statements as of December 31, 2006.

Audit Opinion

We have audited the consolidated financial statements prepared by MBB Industries AG, Berlin, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the combined management report, for the fiscal year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Art. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Art. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Art. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Berlin, Germany, April 7, 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed
Wollank
Wirtschaftsprüfer
[German Public Auditor]

signed
ppa. Rehmer
Wirtschaftsprüfer
[German Public Auditor]

Corporate Governance Codex

Declaration of the Managing Board and the Board of Directors of MBB Industries AG on The German Corporate Governance Codex in the wording of June 14, 2007 pursuant to Art. 161 of the Companies Act (AktG)

The Managing Board and the Board of Directors of MBB Industries AG hereby declare that the recommendations of the 'Government Commission – German Corporate Governance Codex' in the wording of June 14, 2007 pursuant to Art. 161 of the Companies Act (AktG), published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette is being complied with as of April 7, 2008. The following are the sole recommendations not to be applied:

3.8. D&O Insurance: There is no deductible on the D&O insurance for Managing Board and Board of Directors members.

5.3. Board of directors Committees: The MBB Industries AG Board of Directors comprises three members. The formation of Board of Directors committees is therefore not possible.

7.1.2. Publications: Group results and interim reports are published in accordance with the statutory deadlines, and as laid down by the German stock exchange.

Berlin, April 7, 2008

Dr. Peter Niggemann
Chairman of the Advisory Board

Dr. Christof Nesemeier
Chairman of the Managing Board

Financial Calendar

Interim Report for the first quarter:
May 30, 2008

Annual Meeting 2008:
June 30, 2008, 10:00 am
at the Ludwig-Erhard-Haus
Fasanenstraße 85, 10623 Berlin

Half-Year Report 2008:
September 1, 2008

Interim Report for the third quarter:
November 28, 2008

Contact

Investor Relations

MBB Industries AG
Anne-Katrin Altmann
Joachimstaler Straße 34
D-10719 Berlin
Tel.: +49-30-844 153 30
Fax.: +49-30-844 153 33
www.mbbindustries.com
anfrage@mbbindustries.com

Editor: MBB Industries AG
Joachimstaler Straße 34
D-10719 Berlin

Design: Silke Rieks, rieksdesign (Cover)
Anne-Katrin Altmann (Layout)

Photography: Andreas Rose
Nora Bibel

MBB Industries AG . Joachimstaler Straße 34 . 10719 Berlin, Germany . www.mbbindustries.com