MBB Industries

Annual Report 2008

MBB Industries AG . Berlin

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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 €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.)	2006 IFRS	2007 IFRS	2008 IFRS	*Δ 2007 / 2008*
Performance (figures)	€ k	€ k	€ k	*€ k*
Sales revenue	**62,915**	**113,648**	**199,346**	***75.4***
Operating income	72,142	129,925	209,098	*60.9*
Material expenses	-35,483	-66,275	-123,016	*85.6*
Personnel expenses	-16,039	-27,598	-47,670	*72.7*
EBITDA	10,623	21,262	19,544	*-8.1*
EBITDA-Margin	*16.9 %*	*18.7%*	*9.8%*	*-47.6*
EBIT	7,089	14,368	14,442	*0.5*
EBIT-Margin	*11.3 %*	*12.6%*	*7.2%*	*-42.9*
EBT	5,725	12,818	11,793	*-8.0*
EBT-Margin	*9.1 %*	*11.3%*	*5.9%*	*-47.8*
Consolidated net profit after minorities	**4,258**	**13,629**	**8,029**	***-41.1***
Numbers of shares	6,600,000	6,600,000	6,600,000	*0.0*
eps in €	0.65	2.07	1.22	*-41.1*
Balance sheet figures	€ k	€ k	€ k	*%*
Non-current assets	46,139	58,043	56,712	*-2.3*
Current assets	33,289	73,875	83,173	*12.6*
Thereof cash and cash equivalents	10,463	26,946	25,085	*-6.9*
Subscribed capital	6,600	6,600	6,600	*0.0*
Other equity	28,920	43,901	47,665	*8.6*
Equity total	35,520	50,501	54,265	*7.5*
Capital ratio	*44.7%*	*38.3%*	*38.8%*	*1.3*
Non-current liabilities and provisions	19,194	23,570	27,314	*15.9*
Current liabilities and provisions	24,714	57,847	58,306	*0.8*
Balance sheet total	**79,428**	**131,918**	**139,885**	***6.0***
Net financial debt (net debt (-) / net cash (+))	-7,199	787	-981	*-224.7*
Employees (Key date)	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	*%*
Technical Applications	1,071	1,532	1,485	*-3.1*
Industrial Production	259	245	246	*0.4*
Trading & Services	42	15	96	*540.0*
Total	**1,372**	**1,792**	**1,827**	***2.0***

Welcome note from the Managing Board

Dear Shareholders,

The revenue of MBB Industries AG increased from €37m to nearly €200m in the years 2005-2008, while at the same time, equity capital increased considerably and debts fell. This development stems from the Group's operating results and cash flows, which continued to rise in 2008. Accordingly, we will be able to maintain the sustainable dividend policy of MBB Industries AG for this year too, and will therefore propose an unchanged dividend of €0.25 per share for the fiscal year 2008.

From an operative point of view, the year 2008 was characterised by very good developments in our portfolio companies Hanke und Reimelt Henschel, with both companies succeeding in attaining a significant increase in both revenues and earnings compared to last year. Conversely, Delignit, as a supply company, was badly hit by the downturn in the automobile markets, falling well short of turnover and earnings targets, resulting in the early withdrawal of our original results forecast in October 2008.

In addition to operating factors, acquisitions conducted in 2008 also contributed to our growth. Since it was only acquired in the course of the year 2007, 2008 was the first complete consolidation year for Reimelt Henschel. The two acquisitions made in 2008, DTS Systeme and Guth Engineering have been part of the MBB Group since June and August respectively. DTS Systeme is a provider of IT infrastructure services. The acquisition was made on the basis of the company's established business model, its regional position as market leader, and the long involvement of its management, who henceforth maintain a 20% stake in the company. Guth Engineering has taken over as a business branch of Reimelt Henschel and now supplements the company's product range with liquid product process engineering as well as serving the pharmaceuticals and cosmetics markets. Both company acquisitions and the dividends from the prior year were financed from the cash flow of the fiscal year – capital ratio and financing situation thereby remaining virtually on prior-year level.

Without doubt, since autumn 2008, the focus of our management activities has been on the impact of the economic and financial crisis both on our portfolio and the market for medium-sized industrial companies. We are assuming that the Group will be able to maintain its turnover level in the year 2009, supported by the first whole-year consolidation of the companies acquired in 2008, although it will have to sustain losses in terms of result. The extent of these losses can only seriously be judged once the onward progress and the duration of the financial and economic crisis can be forecast. As far as acquisitions are concerned, we have noted that although there a large number of companies with financial difficulties currently up for sale, there are virtually no companies on sale who are able to offer a substantially sustainable position. It is for this reason that the probability of additions being undertaken in the year 2009 is lower than in the previous years.

The five-member management team have together belonged to MBB for a total of 60 years. This wealth of experience coupled with company's sustainably developed and diversified portfolio, its solid financial and capital resources, and the profit situation in the previous years in our opinion constitute a solid foundation upon which to utilise the current environment to expand our market position. At the same time, the uncompromising alignment of the company's resources with the changed conditions are as important as the need, now more than ever, to exercise extreme caution in purchasing new entities.

Since June 2008, MBB Industries AG has been listed in the Prime Standard. We undertook this change to adjust the capital market listing to the size of the company and to make our shares even more attractive to you. Nonetheless, the price of MBB shares has fallen in line with the developments on the capital markets and the markets in general. Revenues, equity capital, results and financial situation are at a historical low point in relation to our market capitalisation. We view this as an opportunity for our shares' future superior performance, and we will be very pleased if you continue to support the development of MBB Industries AG, together with us, as shareholders.

Yours sincerely,

Dr. Christof Nesemeier Gert-Maria Freimuth

Berlin, April 2009

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 of MBB 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 LG-funds he supervises, have some $5b 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 managing shareholder of the medium-sized holding group Dacapo2 GmbH, whose main activities are in the field of media in Europe. His considerable experience of joint business ventures stems both from his previous function as Chief Executive Officer of Ströer Media International, a joint venture by Ströer Out-of-Home Media AG and Oaktree Capital Management and his involvement in expansion activities in the emerging markets of Asia, India, and the Middle East. Dr. Rumpelhardt spent 20 years working for international business consultancy companies and most recently held the position of chief executive officer for Central Europe, in addition to being a member of the executive committee for Corporate Value Associates, a global strategy boutique. He is also member of the Board of Directors of 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.

Report by the Board of Directors

Throughout the fiscal year, the Board of Directors informed itself on a regular basis, in accordance with the duties and responsibilities bestowed on it by law and by the Articles of Association, regarding business and strategic developments within the company, as well as on current events and all essential business transactions and monitored the Managing Board in line with the Corporate Governance Codex. 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, by way of regular briefings by the Managing Board on development of business, and also at the meetings of the Board of Directors, which took place on April 7, June 30, September 22 and November 27, 2008, in which all members of the Board of Directors and of the Managing Board of the company took part. During each of these meetings, the Board of Directors analysed the current business developments together with the Managing Board and discussed matters of strategic orientation. If there were any transactions which necessitated approval by the Board of Directors, as required by the Articles of Association or by legal regulations, the Board of Directors examined these and decided on their approval. Discussions concerned both the economic situation of MBB Industries AG and that of the individual portfolio companies.

Detailed discussion was conducted between the Board of Directors and the Managing Board, concerning the involvement in DTS Systeme and the acquisition of the Guth Engineering business operations. Discussions also centred on the effects of the economic and financial crisis on the Group. Consequently, the Board of Directors was involved in all central decisions.

The Board of Directors also concerned itself with the subject of Corporate Governance and the German Corporate Governance Codex. In the reporting year, the Board of Directors and Managing Board undertook the necessary measures to conform extensively with the recommendations of the Codex. The few exceptions are listed in declaration issued jointly with the Managing Board pursuant to § 161 of the German Stock Corporation Act (AktG). This declaration is contained in the business report and can also be viewed on the company's Internet site at www.mbbindustries.com.

There have been no changes in the personnel of either the Managing Board or the Board of Directors. The MBB Industries AG Board of Directors is composed of three members. 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, in the fiscal year 2008, the Board of Directors again formed no committees.

MBB Industries' annual accounts as of December 31, 2008 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, 2008 were compiled in line with the International Financial Reporting Standards (IFRS). They were audited by Verhülsdonk & Partner GmbH Wirtschaftprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, who were selected by the shareholder meeting and commissioned by the chairman of the Board of Directors, and issued with an unqualified auditor's opinion on April 14, 2009. Furthermore, the report ('Dependency Report') by the MBB Industries AG Managing Board regarding relations with associated companies according to § 312 AktG was audited by the Verhülsdonk & Partner GmbH Wirtschaftprüfungsgesellschaft

Steuerberatungsgesellschaft, Düsseldorf, and the following unqualified auditor's opinion was furnished March 27, 2009:

"Based on the concluding results of our audit, there are no objections to be raised to the report. Persuant to § 313 (3) AktG, we issue the following audit opinion:

'Based on the results of our statutory audit and our judgement we confirm that (1) the factual content in the report is correct, (2) the company's compensation with respect to the legal transactions listed in the report was not inappropriately high nor used to compensate disadvantages and (3) measures detailed in the report do not give reasons for a different evaluation than that made by the Managing Board.' "

The Board of Directors inspected the annual report compiled by the Managing Board, as well as the joint management report of MBB Industries AG and the Group, the profit appropriation proposal, the group report, and the dependency report, in accordance with the requirements of Section 312 of the Companies Act (AktG) and discussed them in detail with auditor at a meeting held on April 21, 2009. 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 management report, the dependency report, and the group results. The annual report and group results were approved by the Board of Directors on April 21, 2009. The annual results for MBB Industries AG have therefore been established.

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 21, 2009

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 together with the companies in its portfolio, forms the MBB Industries Group (hereinafter also referred to as the “MBB Group”). The separate MBB AG financial statements are compiled in accordance with the German Commercial Code (HGB), while the consolidated financial statements are compiled in accordance with International Financial Reporting Standards (IFRS), as applied in the EU since December 31, 2008.

The MBB Group continued on its profitable growth course in 2008. Consolidated group revenue increased by 75.4% to €199.3m, compared with €113.6m in 2007. Profit for the year was €8.0m, following on from €13.6m in 2007. The overall result for the year 2007 contained one-off earnings accruing from initial consolidations of holdings, while earnings for 2008 were virtually unaffected by once-only effects.

The majority shareholding Delignit AG suffered a drop in both sales and operating profit in 2008 owing to its position as a supplier of utility vehicles. On the other hand, developments for the plant constructor, Reimelt Henschel, and the manufacturer of tissue products, Hanke, were quite positive.

In spite of the acquisitions and the strong expansion in turnover, The MBB Group was able to maintain its net debt (bank debts minus liquid assets and short-term securities) at €1.0m, which is virtually the same level as in the prior year, where this figure includes net cash of €0.8m. A dividend of €1.7m was paid for the year 2007 in 2008. Equity capital rose to €54.3m with liquid cash of €25.1m; the capital ratio is 38.8 percent.

Business Performance and Background

Strategic Focus

MBB AG is an investment company which focuses on German medium-sized companies. The Company specializes in purchasing majority shareholdings in medium-sized industrial companies with revenues of more then €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. Indeed, one of the options for participating is to retain an investment within the MBB portfolio, provided revenues are sustainable.

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

Market Development

To date, the Company has operated exclusively on the German investment market. Any foreign portfolio companies joined the MBB Group as subsidiaries of their German parent companies.

According to the German Federal Statistical Office (source: Statistisches Jahrbuch 2008), there are 41,509 companies with revenues of more than €10m in Germany alone. MBB concentrates on acquiring companies in this revenue segment. According

to a report by the German Chamber of Industry and Commerce from September 2008 on the subject of corporate succession, approximately 100 people per working day have contacted the IHK with corporate succession inquiries in recent years. More than a third of these enquiries concerned the search for an appropriate successor. Also according to the statistical survey of the Institute for SME Research ("Institut für Mittelstandforschung"), the number of companies going on sale in the course 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 financial and economic crisis is having the effect of improving the basic economic conditions for the acquisition of shareholdings by MBB AG. Concerns about how the economy is set to develop, the blocked access to the capital market and the restraint exercised by banks with regard to lending are leading to a rise in the number of companies and entrepreneurs open to investment by MBB AG. At the same time, the supply of private equity is decreasing in the market relevant to MBB AG as the refinancing of the business model is becoming more difficult. The Company estimates that this will continue to lead to less intense competition and falling purchase prices in 2009. The first signs of such a development were observed by MBB AG in the first few months of the current fiscal year.

The business activities of the portfolio companies, all of which are industrial SME, have been seriously affected by the severe economic uncertainty, which has been ongoing since mid-2008. Economic forecasts are being shortened to a degree never experienced before by companies. Regarding Germany, the largest single market for the MBB Group, established institutions have announced expectations of negative economic growth at a rate of between 4% (OECD for the Eurozone) and 7% (Commerzbank for Germany) for the year 2009. Governments of all major industrial nations have introduced rescue packages, in the wake of spectacular bank collapses, in an attempt to maintain the money supply in the markets, which in many cases has completely stagnated.

This, accompanied by the 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 the high and unpredictable volatility on the markets to continue, low levels of debt financing, and a continuation or possibly even worsening of the global economic crisis. In the MBB Group's key industries, we expect: a stable demand for plant construction in the food industry, a slight drop in demand for polyurethane boards and a steady demand for tissue products. We also expect the current low demand in the automotive sector to continue in the long term, and consequently, a clear drop in revenue and profits for our holding, Delignit.

Furthermore, the exchange rates fluctuations between the Euro and those currencies which play a significant role in the MBB Group's activities – the US dollar, Rumanian leu, Polish zloty and Brazilian real – will remain at extraordinary levels in terms of their range and speed, which will in turn place increasingly high demands on the financial management of the MBB Group.

Market Position

MBB AG has enjoyed success on the market for investment in medium-sized companies for over 12 years. MBB AG is one of the leading investment companies in the German industrial SME sector for companies with revenue in excess of €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 as a result of 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

One part of the aforementioned strategic development was MBB AG's IPO in the Entry Standard of the open market of the Frankfurt Stock Exchange in 2006. On the basis of the IPO's positive impact on the Company's development and the current size to which the Company has grown, the company took the decision to change over to the highest quality segment of the Frankfurt Stock Exchange, the Prime Standard, as of June 20, 2008. However, in the current state of the capital markets, the expected impact resulting from the change of segment, such as a higher level of interest in MBB shares, increased liquidity in the shares, and an attractive assessment, have not been achieved. Nevertheless, the 71.015% share of capital stock held by MBB AG's Managing Board secures sustained corporate development and offers long-term potential for growth-oriented changes to capital.

Organisation

The MBB AG Board of Directors comprises the Chairman, Dr. Peter Niggemann, the Deputy Chairman, Dr. Jan C. Heitmüller, and Dr. Matthias Rumpelhardt. The Board of Directors was elected in its current composition at the Annual General Meeting in March 2006 and appointed until the close of the general 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 were appointed until June 30, 2012. Three other members of the management team are responsible for finance & investment management and IT & processes.

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

Portfolio Companies

On June 26, 2008, MBB AG acquired 80% of the shares in DTS Beteiligungen GmbH & Co. KG based in Herford. On her part, DTS Beteiligungen GmbH & Co. KG holds 100% of the shares in its operative company, DTS Systeme GmbH, and its ordinary partner, DTS Beteiligungen Verwaltungs GmbH. The remaining 20% of the company's shares are held by its general managers, Kai Mallmann and Ulrich Möller.

The acquisition of the operative business of Guth Engineering by Reimelt-Henschel-Group on August 18, 2008 constitutes a further step in the strategic expansion of the company's product range. Guth Engineering is a leading supplier of processing plants for liquid materials in the foodstuffs and pharmaceuticals industry. The company generates a profitable turnover of €10m per year.

Westfalia Recycling GmbH, a wholly-owned subsidiary of MBB AG, was merged with MBB AG by merger agreement on December 16, and approved by the Annual General Meeting of Shareholders on the same day. Furthermore, Reimelt Henschel Holding GmbH, Reimelt FoodTechnologie GmbH and Reimelt Henschel MischSysteme GmbH were merged with Reimelt GmbH by separate merger agreements on December 16, and each approved by the Annual General Meeting of Shareholders, with the effect that with resolution of the shareholder meeting of December 16, 2008, the company is now operating as Reimelt Henschel GmbH. MBB AG thus directly holds 100% of the shares in Reimelt Henschel GmbH.

At the end of the fiscal year 2008, MBB AG held six direct equity investments. As the direct portfolio companies of MBB AG have subsidiaries and second-tier subsidiaries, the consolidated group comprises a total of 21 entities and two equity method investees in addition to MBB AG. There are four foreign subsidiaries which have not been consolidated, due to their low level of importance. The entities are listed below according to parent, ownership interest and consolidation method:

- Reimelt Henschel GmbH (100%)
    - Dietrich Reimelt Pulsnitzer Maschinenbau GmbH (100%)
    - Reimelt Corporation (100%)
    - Reimelt (Canada) Limited (100% - unconsolidated)
    - Reimelt France E.U.R.L. (100%)
    - Reimelt Ltda., Brasilien (90%)
    - Reimelt Korea Corp. (100% - unconsolidated)
    - Reimelt (GmbH) UK Ltd. (50% - at equity)
    - Reimelt Henschel Asia Ltd. (100% - unconsolidated)
        - Reimelt Henschel Trading (Shenzhen) Co. Ltd. (100% - unconsolidated)

- Delignit AG (80.55%)
    - Hausmann Verwaltungsgesellschaft mbH (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%)

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

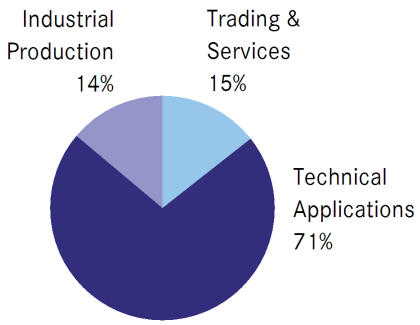
- OBO Modulan GmbH (100%)
    - OBO-Werke Verwaltungsgesellschaft mbH (100%)
    - OBO-Werke GmbH & Co. KG (100%)
        - OBO-Industrieanlagen GmbH (94.8%)

- Huchtemeier Verwaltung GmbH (100%)
    - Huchtemeier Papier GmbH (80%)
        - KKS Hahn Konzert- und Veranstaltungs-Service GmbH (20% - at equity)

- DTS Beteiligungen GmbH & Co. KG (80%)
    - DTS Beteiligungen Verwaltungs GmbH (100%)
    - DTS Systeme GmbH (100%)

Segments

The individual segments in which the MBB holdings operate represent different areas of business activity. These areas will be presented in the following sections. In order to avoid adversely affecting the business activities of the various holding companies, no detailed information on the individual companies will be published.



Distribution of consolidated revenue by segment for the year 2008

The following segments are considered:

Technical Applications

This segment comprises those holdings whose business model is based to a large extent on customer specifications, and for which company expertise and consultancy services form a considerable proportion of the service performed. The members of the Reimelt-Henschel group of companies and the Delignit business group both belong to this segment.

The 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 Henschel's process technology makes it the world market leader in the food industry.

The Reimelt-Henschel-Group contributed €104.4 to the revenue of the MBB Group for the year 2008, corresponding to a share of 52.4%. Compared with the revenue figure for the prior year, revenue increased by 9.9%.

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 centre 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 ecologically superior to other materials. This means that using Delignit materials as a substitute for applications from non-renewable raw materials improves the environmental performance of customer products and fulfils 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 remained under family ownership until MBB AG's investment in 2003.

The wood material activities conducted by Delignit represent 19.4% of the MBB Group's revenue, for the fiscal year 2008, which is the second largest contribution to the total revenue. In this year, revenue fell by 4.2% to €38.7m.

Industrial Production

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

OBO is an internationally operating supplier of polyurethane boards for use in model, mould and tool construction. The company has been a member of the MBB Group since 2003 The majority of OBO's customers are from the automotive industry. The entity had a share of 4.4% in the revenue of the MBB Group in 2008. Revenue was €8.0m in the fiscal year 2008, representing an increase of 10.0% compared to the prior year.

Hanke produces raw tissue wadding, napkins, paper handkerchiefs, bathroom tissue and household 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 coloured 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. The company was acquired by MBB AG in 2006.

Hanke's share in the group revenue is 9.3%, or €18.5m. This revenue figure represents a rise of 6.9% compared to the prior year.

Trading & Services

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

Huchtemeier is an international paper trading group, and has been part of the MBB Group since 2006. In addition to special-purpose papers and semi-manufactured tissue for the paper processing industry, the company also markets paper hygiene products and serviettes for specialist wholesalers and large-area retailers. Huchtemeier has a paper trading history dating back over a century.

Huchtemeier has a 9.1% share in the revenue of the MBB Group for 2008. The company's revenue of €18.1m is 35.1% higher than in the prior year.

DTS Systeme is a supplier of IT infrastructures and specialises in the IT fields of security, storage, virtualisation and data centres. It maintains its own computing centre, it offers numerous internet services. The company's business model comprises consultancy, planning and design, procurement, implementation and operation in the field of IT environments. DTS was founded in 1983 and was part of a regional business group until the involvement of MBB. It is based in Herford and maintains offices in Bochum and Bremen.

DTS contributed €10.8m to the MBB Group's total revenue in 2008, corresponding to a share of 5.4%. Nonetheless, the annualised revenue for the group was over €20.0m for the year 2008.

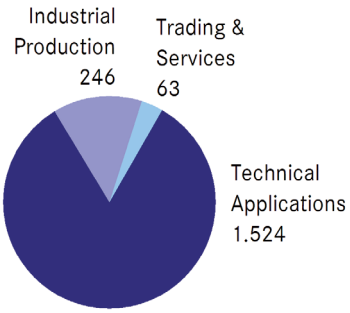
Employees

In 2008, seven people were employed at MBB AG, including Managing Board members. While the management serves MBB AG on the basis of service agreements, one employee was engaged in office management and a further employee was engaged in financial control in 2008.

The aim of the Managing Board at MBB AG is the sustained value development of the MBB Group. The five-member management team have together belonged to MBB for a total of 60 years and hold approximately 75% of MBB AG's share capital. An appropriate level of fixed remuneration is supplemented by success-based bonus payments, which are subject to an upper limit. There are no gratuity or pension agreements.

In the fiscal year of 2008, the MBB Group had an average of 1,833 employees (compared with an average of 1,468 employees in the prior year). This number breaks down as follows:

- 851 people employed in Germany
- 685 people employed in Rumania
- 206 people employed in Poland
- 58 people employed in the USA
- 33 people employed in other countries



Average annual distribution of employees by segment for 2008

In terms of segments, the distribution of employees for the year 2008 is as follows:

- Technical Applications: 1,524 employees (previous year. 1,210)
- Industrial Production: 246 employees (previous year. 245)
- Trading & Services: 63 employees (previous year: 13)

The total workforce in the Technical Applications segment increased with respect to the previous year above all due to the integration for the whole year of the Reimelt-Henschel Group. The amount of personnel in the Industrial Production segment is largely unchanged compared to the previous year. The number of employees in the Trading & Services segment rose in the middle of the year following the acquisition of DTS Systeme.

MBB regards it as a significant factor of success to encourage and challenge employees. Both management and executive personnel who have a significant influence on the success of the business activities receive variable salary components which are also dependent on the results and value growth of the entities.

The number of employees in the existing portfolio companies of the MBB Group will fall in the fiscal year 2009, owing to ongoing optimisation processes and demand-based modifications.

Results of Operations, Financial Position and Net Assets

MBB AG and the MBB Group can look back on a successful fiscal year 2008. Revenue and profit increased significantly, both organically and through acquisitions. Operative earnings continued to increase compared with the prior year in the wake of the one-off effects from the fiscal year 2007. The financial position and net assets developed positively thanks to the earnings development. All in all, good opportunities continue to exist for stable revenue development in the existing company portfolio and growth from acquisitions by the MBB Group. The following sections contain further details regarding MBB AG and, subsequently, the MBB Group.

MBB AG

MBB AG recognized revenue of €1.9m (prior year: €1.3m) from the charging of management services to group entities in 2008. In addition, a special item with an equity portion recognized the year before last was released to profit or loss in the amount of €0.5m. Total operating performance for 2008 remained constant compared to the prior year at €2.4m.

This was contrasted by the cost of purchased services of €1.0m, which relates to remuneration of MBB AG's management.

Earnings before interest, taxes, depreciation and amortization (EBITDA) came to €0.2m.In addition, MBB AG recognized investment income of €2.1m and an interest result of €0.1m. Taking into account the aforementioned items and income taxes, MBB AG posted a profit for the period of €2.1m (prior year: €2.1m).

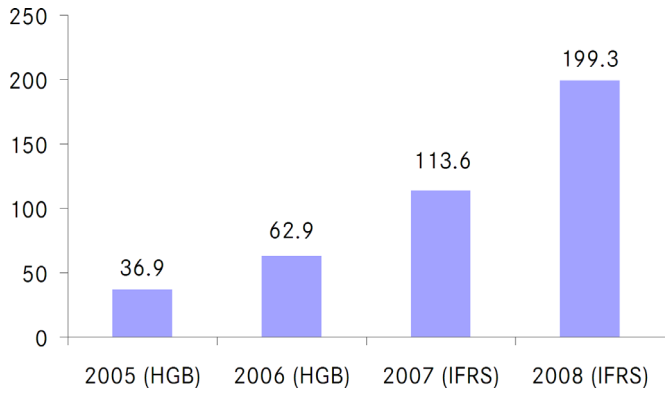
As in the previous years, a dividend was paid in the year 2008 of €0.25 € per share or €1.7m. MBB AG's equity consequently rose to €25.7m as of the balance sheet date (prior year €25.2m) and led to a ratio of equity to total assets of 79.8%. MBB AG's cash and cash equivalents amounted to €10.6m at year-end (prior year: €12.8m); net cash and cash equivalents fell to €4.4m (prior year: €7.6m). The unused portion of a credit line amounted to €3.8m and provides further financial leeway.

The merger of Westfalia Recycling GmbH, whose sole shareholder was Reimelt Henschel GmbH, with MBB Industries AG, shares in holding companies rose by €3.4m. The reduction in lending to associated companies at a level of €4.1m was caused by the merger of Westfalia Recycling GmbH. A long-term loan of €1.4m was granted to DTS Beteiligungen GmbH & Co. KG.

MBB Group

The consolidated financial statements as of December 30, 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The MBB Group posted 75.4% higher consolidated revenue of €199.3m compared to the prior year (€113.6m). At the same time, total operating performance increased by 60.9% from €129.9 in 2007 to €209.1m in 2008. Other operating income of €8.5m mainly relates to income from the reversal of provisions of €4.5m, income from a retrospective reduction in purchase price of €0.5m, and other income of €3.5m.



Development of consolidated revenue (in € m)

The cost of materials rose from 58.3% to 61.7% in relation to revenue, which was attributable to the change in the value added of the Group following the first whole-year consolidation of the Reimelt-Henschel-Group. By contrast, the ratio of personnel expenses to revenue fell from 24.3% in 2007 to 23.9% in 2008.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled €19.5m (prior year: €21.3m), a decrease of 8.1% on the prior year, and came to 9.8% of consolidated revenue. When comparing with the prior year's figures, it should be noted that 2007 saw one-off income of €9.1m due to initial consolidation, which contributed to the EBITDA.

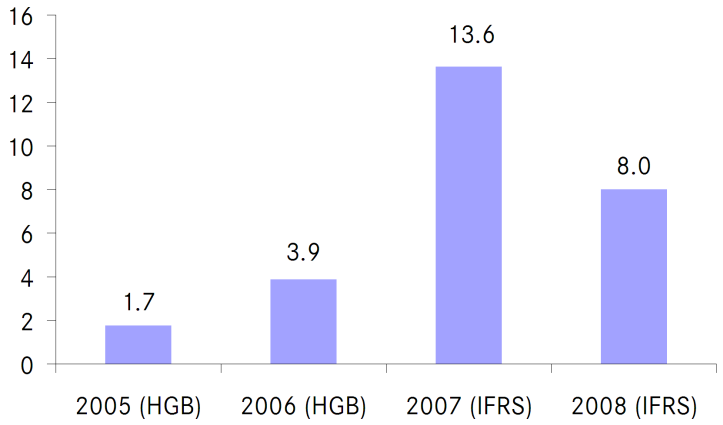
Amortization, depreciation and write-downs of €5.1m (prior year: €6.9m) were recognized.

Of the additions in fixed assets totalling €10.0m, €2.8m were with respect to additional from initial consoliation. Moreover, investments in tangible fixed assets were made of €2.3m as well as additions to Goodwill of €4.2m. Investments were also made with respect to the operating lease. The remaining 0.7m concern additions to financial assets as well as franchises, industrial rights and similar rights.

The MBB Group recognized earnings before interest and taxes (EBIT) of €14.4m in the fiscal year ended (prior year: €14.4m), with no change compared to the prior year.

Taking into account a negative financial result of €2.6m, earnings before tax (EBT) amounted to €11.8m (prior year: €12.8), which was 5.9% of revenue (prior year: 11.3%) and 8.0% lower than in the prior year.

The MBB Group incurred income taxes of €1.2m and recognised deferred tax of €2.2m, such that net income tax of €3.4m was included in the consolidated profit.



Development of consolidated net profit (in € m)

The consolidated profit for the period after minority interests fell by 41.1% year on year to €8.0m (prior year: €13.6) and contributed to an equity of €54.3m (prior year: €50.5m) in the consolidated balance sheet as of December 31, 2008. The MBB Group posted an equity ratio of 38.8% (prior year: 38.3%) in relation to consolidated total assets of €139.9m. The Managing Board therefore considers that the MBB Group has a solid equity base.

As of December 31, 2008, the MBB Group had financial liabilities including leasing of €27.9m (prior year: €28.3m) and cash and cash equivalents of €25.1 (prior year: €26.9m). At €1.0m, the MBB Group's net financial debt (bank debts minus cash and cash equivalents) is on virtually the same level as in the prior year, for which net cash of €0.8m was reported. The Managing Board therefore believes that the MBB Group currently has sufficient financing scope for the Group's business activities.

Hedging Activities

Transactions within the Group are normally carried out in euros, even though the volume of foreign currency revenue has increased considerably within the MBB Group, following the acquisition of the Reimelt-Henschel Group. Since the portfolio companies secure any extraordinary foreign currency items themselves, there have so far not been any unsecured items of any appreciable magnitude at Group level. Consequently, the MBB has hitherto not conducted any exchange hedging with respect to other currencies at Group level. The Group does however perform monitoring to enable to conduct timely hedging activities if need be.

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 €6.6m and falling short of €19.8m in fiscal year 2008. 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 of the 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 €6.6m and falling short of €19.8m in fiscal year 2008. The members of the Board of Directors also receive a refund for expenses in return for receipts.

Finally, the total variable remuneration of Management, Managing Board and Board of Directors may not be more than 25% of the annual surplus of MBB Industries AG, irrespective of the stated thresholds.

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

Opportunities

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

- The significant increase in medium-sized entities up for sale owing to the financial and economic crisis presents 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 MBB AG as an investor.
- The experience and the network of the current management team offer an excellent starting point for further growth of the MBB Group.
- The diversification of the MBB Group narrows the possible effects of abrupt changes in demand in individual markets, such as currently in the automobile market, across the entire Group.
- The MBB Group's growth leads to constant income, as a result, the reliability of business development planning increases.

Risks

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

- The optimisation of individual portfolio companies may not be successful or individual portfolio companies may be hit especially hard by the economic crisis. This may lead to a loss of the investment in extreme cases.
- The refinancing of individual portfolio companies or acquisitions may not be successful.
- A further, protracted cooling-down of the economy may lead to falling revenue and/or falling profits of existing investments of MBB AG. The value of the Delignit portfolio company could drop permanently as a result of the fall in revenues and profit already sustained.
- 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 the fiscal years 2007 and 2008 are subject to the general risks of a sustained optimisation process, which has not yet been fully completed.
- MBB-AG could become exposed to risks from sales contract warranties; the portfolio companies could become exposed to risks from product liability or other legal liability risks.

The MBB Group addresses the aforementioned risks by implementing a risk management system. 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 optimisation 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.
- A central Group monitoring system (LOC) covering fundamental contract risks or legal disputes by the management and, if required, specialist legal firms.

Notifications Pursuant to § 289 (4) and § 315 (4) HGB

Pursuant to §§ 289 and 315 HGB, the status report must contain the following points.

Composition of the subscribed capital

The share capital of €6,600,000 indicated in the balance sheet as of December 31, 2008 comprising 6,600,000 individual no par share certificates made out to the holder is fully paid up. Each share grants the owner one vote in the shareholders' meeting.

Limitations in relation to voting rights or the transfer of shares

There are no limitations in voting rights or the transfer of shares.

Direct or indirect interest in capital exceeding 10% of voting rights

On December 31, 2008, MBB Capital Münster GmbH, Münster, held 40.712% of voting rights (2,687,000 votes). On December 31, 2008, MBB Capital GmbH, Berlin, held 30.303% of voting rights (2,000,000 votes). The shares of the two aforementioned companies are completely owned by MBB Capital Group GmbH, Münster, as a result of which the latter indirectly holds 71.015% of voting rights (4,687,000 votes). The shares in the MBB Capital Group GmbH are in turn held 50% each by Mr. Gert-Maria Freimuth and Dr. Christof Nesemeier, with the result that they are together indirectly entitled to 71.015% of voting rights (4,687,000 votes).

Holders of shares with special rights

No shares with special rights have been issued.

Type of voting control in the case of employee participation

There are no employee participations of this kind.

Legal regulations and statutory provisions regarding the appointment and withdrawal of members to and from the managing board and regarding amendments to the Articles of Association

Managing Board members are appointed and withdrawn in accordance with $ 84 AktG. § 6 of the Articles of Association regulates the appointment and withdrawal of board members as follows: “The Managing Board comprises one or two persons. The determination of the number and the appointment of the board members, conclusion of the recruitment contracts and revocation of the appointment is conducted by the Board of Directors. If the Managing Board comprises several persons, the Board of Directors may appoint one member of the board as its chairman or spokesman and one as the deputy chairman or spokesman of the board.”

Pursuant to § 179 (1) AktG, any amendment to the Articles of Association requires resolution of the shareholder meeting. According to Section 24 of the Articles, any amendments – provided they are legally admissible, require a simple majority of votes cast at the shareholder meeting, whereby an abstention is not deemed as a cast vote.

Moreover, § 11 (2) of the Articles of Association regulates as follows: “The Board of Directors is only authorised to conduct amendments to the Articles when they concern their wording. In particular, the Board of Directors is authorised to modify the wording of the Articles of Association after fully or partially increasing the issued capital from the Authorised Capital I (Section 4 Para. 4 of the Articles) or following expiration of the authorisation period corresponding with the size of the capital increase from the Authorised Capital I.”

Authorisations of the Managing Board, with special reference to the possibility of issuing or buying back shares

By resolution dated March 21, 2006, the shareholders’ meeting authorised the Managing Board to increase the issued capital of the Company, subject to the approval of the Board of Directors, in the period up until March 21, 2011, once or several times by up to €2,500,000 in total in return for cash contributions and/or contributions in kind by issue of new bearer shares (Authorised Capital I). The Managing Board is authorised, subject to the approval of the Board of Directors, to exclude shareholder subscription rights in the following cases:

- For balancing fractional amounts,
- If the capital increase is in return for cash contributions and the total amount of the portion of the issued capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the issued capital existing at the time the new shares are issued and the issue price of the new shares is not significantly lower – in the sense of § 203 (1), (2) and § 186 (3) Sentence 4 AktG – than the stock exchange price of previously listed shares of the same category and structure at the time that the issue price is finally set by the Board of Directors,
- If capital is increased in return for contributions in kind for the granting of shares for the purpose of acquring companies, parts of companies or stakes in companies.

The Managing Board was authorised subject to the approval of the Board of Directors to lay down further details regarding the implementation of capital increases from the Authorised Capital I.

Moreover, the Company was authorised by resolution of the shareholders' meeting On June 30, 2008, pursuant to § 71 (1) No. 8 AktG to purchase and sell its own shares between July 1, 2008 and December 29, 2009 to the value of 10% of the issued capital. Authorisation can be exercised fully or partially, and if exercised partially, several times, until the upper limit is reached, for a single or for several purposes. It may not be exercised for the purpose of trading in own shares. Acquisition is made via the stock market. The share purchase price may not be more than 10% above or below the share price established for the company on the day of acquisition by the opening auction in Xetra trading (or a comparable successor system to the Xetra system operating on the Frankfurt Stock Exchange). The Managing Board was authorised, subject to the approval of the Board of Directors, to offer the shares acquired on the basis of the above authorisation, wholly or partially, to third parties in the course of acquiring companies and/or company stakes, under exclusion of the shareholders' subscription rights and/or to redeem the acquired shares, wholly or partially without the need for a special resolution by the shareholder meeting. The price at which the shares are sold to a third party may be no more than 5% above or below the average value of the share prices established for the company on the three trading days preceding the acquisition by the midday auction in Xetra trading (or a comparable successor system to the Xetra system operating on the Frankfurt Stock Exchange).

Essential agreements conditional on a change in control following a takeover offer

There are no such agreements.

Compensation agreements in the event of a takeover offer with members of the Managing Board or employees

There are no such compensation agreements.

Events After the Balance Sheet Date

There were no significant events after the balance sheet date.

Forecast

We believe that the results of fiscal year 2008 form a solid basis for the further development of the MBB Group. Provided the economic downturn does not worsen beyond the known level, the Managing Board forecasts a turnover for the current year with respect to its current entities on the same level as in the year 2008. Moreover, the Management expects a lower result compared to the prior year, since in 2009, individual portfolio companies will also be subject to the impact of the financial and economic crisis.

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. Moreover, we will take the exceptional economic conditions into account when considering possible acquisitions. Even in 2009, any new group entity must be capable of making a sustained contribution to the continuous value growth pursued by the MBB Group.

Summary of the Report on Relationships With Affiliated Entities in Accordance With § 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, March 24, 2009

Dr. Christof Nesemeier
CEO

Gert-Maria Freimuth
CIO

MBB Industries' abridged Financial Statement for 2008

Balance Sheet (HGB)

Assets	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Intangible assets	4	8
Property, plant and equipment	74	95
Financial assets	18,146	17,727
Non-current assets	**18,224**	**17,830**
Receivables and other assets	3,368	1,195
Securities	2,540	1,354
Cash on hand, bank balances	8,059	11,496
Current assets	**13,966**	**14,046**
Prepaid expenses	**0**	**0**
Total assets	**32,190**	**31,876**

Equity and liabilities	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Equity	25,688	25,224
Special Item With an Equity Portion	0	500
Provisions	195	630
Liabilities	6,302	5,522
Deferred income	**5**	**0**
Total equity and liabilities	**32,190**	**31,876**

Income Statement	2008 € k	2007 € k
Revenue	1,868	1,350
Other operating income	549	1,011
Cost of purchased services	990	1,442
Personnel expenses	129	37
Depreciation and amortization of intangible assets, property, plants and equipment	30	46
Other operating expenses	1,068	784
Earnings of equity investments	2,112	1,546
Income from other securities and loans of financial assets	107	206
Other interest and similar income	510	366
Depreciation and amortization of securities of current assets	367	0
Interest and similar expenses	444	96
Result from ordinary activities	**2,118**	**2,074**
Income taxes	-1	0
Other taxes	6	1
Profit for the year	**2,114**	**2,072**
Profit brought forward from the previous year	921	499
Profit retained	**3,035**	**2,571**

Appropriation of the net income

The indicated net profit is composed of the profit for the year (EUR 2,133,767.00) together with the profit brought forward (EUR 920,893.43).

Consolidated Financial Statements 2008 (IFRS)

Consolidated Income Statement (IFRS)	Note	2008 € k	2007 € k
Revenue	III.1.	**199,346**	**113,648**
Purchase price reduction		500	0
Income from removals from consolidated group/change in minority interests		0	4,007
Reversal of credit difference from acquisition accounting		0	9,123
Miscellaneous other operating income		7,966	4,114
Other operating income	III.2.	**8,466**	**17,244**
Increase (+) / Decrease (-) in work in process and finished goods		1,286	-967
Operating income		**209,098**	**129,925**
Cost of raw materials, consumables and supplies		-101,447	-51,876
Cost of purchased services		-21,569	-14,399
Cost of materials		**-123,016**	**-66,275**
Wages and salaries		-39,217	-22,437
Social security, pensions and other benefit costs		-8,453	-5,161
Personnel expenses		**-47,670**	**-27,598**
Other operating expenses	III.3.	-18,868	-14,790
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**19,544**	**21,262**
Amortization, depreciation and write-downs		-5,134	-6,920
Earnings of associates		32	26
Earnings before interest and taxes (EBIT)		**14,442**	**14,368**
Write down of short term investments	III.4.	-371	0
Other interest and similar income	III.5.	782	537
Interest and similar expenses	III.4.	-3,060	-2,087
Financial result		**-2,649**	**-1,550**
Earnings before taxes (EBT)		**11,793**	**12,818**
Income taxes	III.6.	-3,387	850
Other taxes		-277	-110
Earnings for the period		8,129	13,558
Minority interests		-100	71
Consolidated profit for the year		**8,029**	**13,629**
Earnings per share (€)	III.7.	1.22	2.07

Assets (IFRS)	Note	Dec.31,2008 € k	Dec.31,2007 € k
Non-current assets			
Franchises, industrial rights and similar rights and assets		2,526	1,663
Goodwill	II.2.	5,540	780
Intangible assets		**8,066**	**2,443**
Land an buildings including buildings on third-party land	II.3.	27,130	28,761
Technical equipment and machines	II.3.	15,565	16,789
Other equipment, furniture and fixtures	II.3.	3,361	2,626
Payments on account and assets under construction	II.3.	726	1,505
Property, plant and equipment		**46,782**	**49,681**
Shares in affiliated entities		224	397
Investments in associates	II.4.	36	47
Equity investments		12	2
Loans to affiliated entities		0	248
Other loans	II.5.	302	496
Financial assets		**574**	**1,190**
Deferred taxes	II.10.	**1,290**	**4,729**
		56,712	**58,043**
Current assets			
Raw materials, consumables and supplies	II.6.	10,234	8,702
Work in process	II.6.	4,403	5,358
Finished goods	II.6.	7,458	7,208
Payments on account	II.6.	3,843	485
Inventories		**25,938**	**21,753**
Trade receivables	II.7.	27,605	20,454
Other assets	II.8.	4,545	4,722
Trade receivables and other assets		**32,150**	**25,176**
Securities	II.9.	**2,567**	**1,596**
Cash		16	27
Bank balances		22,502	25,323
Cash on hand, bank balances		**22,518**	**25,350**
		83,173	**73,875**
Total assets		**139,885**	**131,918**

Equity and liabilities (IFRS)	Note	Dec. 31,2008 € k	Dec. 31,2007 € k
Equity			
Subscribed capital		6,600	6,600
Capital reserves		15,251	15,251
Legal reserve		61	61
Earnings carried forward		22,549	10,570
Currency translation differences		-1,602	416
Profit for the year		8,029	13,629
Minority interests		3,377	3,974
		54,265	**50,501**
Non-current liabilities and provisions			
Liabilities to banks	II.13.	16,780	11,548
Other liabilities	II.13.,14.	1,045	1,251
Liabilities		**17,825**	**12,799**
Pension provisions	II.12.	**3,360**	**3,356**
Deferred taxes	II.10.	**6,129**	**7,415**
		27,314	**23,570**
Current liabilities and provisions			
Liabilities to banks	II.13.	9,286	14,611
Payments on account received	II.13.	8,044	6,138
Trade payables	II.13.	18,883	12,128
Other liabilities	II.13.,14.	6,121	5,659
Accruals	II.13.	4,154	3,904
Liabilities		**46,488**	**42,440**
Tax provisions	II.15.	1,369	498
Other provisions	II.15.	10,449	14,909
Provisions		**11,818**	**15,407**
		58,306	**57,847**
Total equity and liabilities		**139,885**	**131,918**

Consolidated Cash Flow Statement	2008 € k	2007 € k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	14,442	14,368
Adjustments for non-cash transactions:		
Depreciation and amortization of non-current assets	5,134	6,920
Loss/gain on disposal of assets	-8	-12
Credit difference from acquisition accounting posted to income	0	-9,123
Income from removal from cosolidated group	0	-1,437
Valuation allowance for securities	371	0
Other non-cash expenses and income	-226	-25
	5,271	**-3,677**
Changes in working capital:		
Increase in inventories, trade receivables and other assets	-2,908	-594
Increase (+) / decrease (-) in trade payables and other liabilities	-7,048	-2,583
	-9,956	**-3,177**
Income tax paid	-1,482	-1,547
Interest received	782	537
Cash flow from operating activities	**9,057**	**6,504**
2. Cash flow from investing activities		
Cash received from disposals of property, plant and equipment	126	2,508
Cash received from disposals of financial assets	0	29
Cash paid for investments in intangible assets	-551	-78
Cash paid for investments in property, plant and equipment	-2,309	-5,051
Cash paid for investments in financial assets	-173	-185
Acquisition of consolidated entities	-1,342	4,557
Sale of consolidated entities	0	2,135
Cash flow from investing activities	**-4,249**	**3,915**

Consolidated Cash Flow Statement	2008 € k	2007 € k
3. Cash flow from financing activities		
Profit distributions to shareholders	-1,650	-660
Cash received from the Delignit AG IPO	0	6,000
Cash paid for IPO costs	0	-736
Cash received from borrowings	959	8,167
Repayment of borrowings	-2,918	-4,620
Interest paid	-3,060	-2,087
Cash flow from financing activities	**-6,669**	**6,064**
Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents (subtotal of 1 to 3)	-1,861	16,483
Cash and cash equivalents at the beginning of the period	26,946	10,463
Cash and cash equivalents at the end of the period	**25,085**	**26,946**
Composition of cash and cash equivalents		
Cash on hand, bank balances	22,518	25,350
Securities	2,567	1,596
Cash and cash equivalents at the end of the period	25,085	26,946

Consolidated Statement of Changes in Equity

	Subscribed Capital	Revenue reserve	Capital reserves
	€ k	€ k	€ k
January 1, 2007	**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**
Dividends paid	0	0	0
Subotal	6,600	61	15,251
Decrease 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, 2008	**6,600**	**61**	**15,251**

Currency translation differences € k	Earned consolidated equity € k	Total consolidated equity € k	Minority interests € k	Consolidated equity € k
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
-457	**13,629**	**13,172**	**-71**	**13,101**
416	**24,199**	**46,527**	**3,974**	**50,501**
0	-1,650	-1,650	0	-1,650
416	22,549	44,877	3,974	48,851
0	0	0	-377	-377
-2,018	0	-2,018	-320	-2,338
0	8,029	8,029	100	8,129
-2,018	**8,029**	**6,011**	**-220**	**5,791**
-1,602	**30,578**	**50,888**	**3,377**	**54,265**

Notes to the Consolidated Financial Statements for Fiscal Year 2008

I. Methods and Principles

1. Basic Information on the Accounting

1.1 Corporate Information

MBB Industries AG (hereinafter referred to as "MBB", "MBB-AG" or the "parent") has its registered office at Joachimstaler Straße 34, 10719 Berlin, Germany. It was recorded in the commercial register of district court Berlin-Charlottenburg under No. HRB 97470. Since June 20, 2008 MBB Industries AG has been listed in the Prime Standard of the Frankfurt Stock Exchange under the security identification number A0ETBQ. MBB is the parent company of the MBB Group.

MBB Industries AG acquires, develops and sells majority shareholdings in 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 €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 2008 will be presumably approved and released for publication by the Board of Directors on April 21, 2009.

1.2 Accounting Policies

Since MBB Industries AG is listed on the regulated market (Prime Standard), MBB's consolidated financial statements are compiled in accordance with IFRS. The consolidated financial statements as of December 31, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The term IFRS also covers the International Accounting Standards (IAS) still in effect, the International Financial Reporting Standards (IFRS) as well as the Interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). In addition, the regulations of § 315a HGB have been applied.

IFRS 8 (Operating Segments) is mandatory with respect to financial years commencing on January 1, 2009. Since 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.

IFRIC 16 (Hedges of a net investment in a foreign operation) was voluntarily adopted at a previous time.

The following interpretations were applied for the first time: IFRIC 11, IFRIC 12 and IFRIC 14. Of these, only IFRIC 11 and 14 were applied for the first time, since IFRIC 12 has not been adopted by the EU. The application of the interpretations has no impact on the group's financial statement. Neither have the changes to IAS 39 resulting from the financial market crisis had an effect on the group's current financial statements.

Changes to the following standards, interpretations or new standards and interpretations, which are compulsory for fiscal years beginning on or after January 1, 2009 respectively which have not been endorsed by the EU were not applied previously: IFRS 1 (Amendment relating to cost of an investment on first-time adoption), IFRS 2 (Amendment relating

to vesting conditions and cancellation), IFRS 3 (Comprehensive revision on applying the acquisition method), IAS 1 (Comprehensive revision and amendments relating to disclosure of puttable instruments arising on liquidation), IAS 23 (Comprehensive revision to prohibit immediate expensing), IAS 27 (Amendment relating to cost of an investment on first-time adoption), IAS 28 (Consequential amendments arising from amendments to IFRS 3), IAS 31 (Consequential amendments arising from amendments to IFRS 3), IAS 32 (Amendments relating to puttable instruments and obligations arising on liquidation), IAS 39 (Amendments for eligible hedges), various amendments from May 2008 within the annual improvements to IFRS, IFRIC 13 (Customer loyalty programmes), IFRIC 15 (Agreements for the construction of real estate), IFRIC 17 (Distribution of non-cash assets to owners), IFRIC 18 (Transfers of assets to customers).

The effects of these amendments are currently being evaluated and can not be stated at this time.

1.3 Changes of legal and organizational structure in 2008

By merger agreement dated December 16, 2008, approved by the general meeting on the same date, Westfalia Recycling GmbH, a 100 percent subsidiary of MBB-AG, was merged with MBB Industries AG. Furthermore, under merger agreement of December 16, 2008 and the associated approvals by the general meetings, the Reimelt Henschel Holding GmbH. Reimelt FoodTechnologie GmbH and Reimelt MischSysteme GmbH were merged with Reimelt GmbH. By general meeting decision of December 16, 2008 the Reimelt GmbH changed its name into Reimelt Henschel GmbH. MBB Industries AG holds 100% of the shares of Reimelt Henschel GmbH.

On June 26, 2008 MBB Industries AG acquired 80% of the shares in DTS Beteiligungen GmbH & Co. KG, based in Herford. DTS Beteiligungen GmbH & Co. KG holds 100% of the shares in the operative company, DTS Systeme GmbH, and the general partner DTS Beteiligungen Verwaltungs GmbH. The remaining shares are owned by the managing directors of the company. In 2008, DTS contributed €10.8m to the group's total sales. However, the annualised sales of the DTS Group amounted to more then €20m. The annual result of DTS Systeme GmbH amounts to €48.1k.

Regarding the acquisition of the Guth Engineering business (asset deal) by Reimelt Henschel GmbH, we refer to the comments on Goodwill (indent of point II.2 "Goodwill"). There is no information pursuant to IFRS 3.67(i) due to the impracticability of its preparation, as the business activities of Guth Engineering have been integrated into the Reimelt-Henschel-Group.

In addition, PURcycl GmbH was merged with OBO-Werke GmbH & Co. KG during the financial year.

2. Consolidated Group

In addition to MBB, the entities listed below are included in the consolidated financial statements. The share in capital is computed by multiplying the respective shares. Companies shown in bold have investments in the companies listed below.

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-Werke Verwaltungsgesellschaft mbH, Stadthagen, Germany	100.00
OBO-Industrieanlagen GmbH, Stadthagen, Germany	98.96
Delignit AG, Blomberg, Germany	80.55
Hausmann Verwaltungsgesellschaft mbH, 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
Reimelt Henschel GmbH, Rödermark, Germany	100.00
Reimelt France E.U.R.L. Venissieux, France	100.00
Dietrich Reimelt Pulsnitzer Maschinenbau GmbH, Burkau, Germany	100.00
Reimelt Corporation, Odessa, Florida, US	100.00
Reimelt Ltda., Sao Paulo, Brasil	90.00
DTS Beteiligungen GmbH & Co. KG, Herford, Germany	80.00
DTS Beteiligungen Verwaltungs GmbH, Herford, Germany	80.00
DTS Systeme GmbH, Herford, Germany	80.00

Reimelt Ltda., Sao Paulo, Brazil, and Reimelt France E.U.R.L., Venissieux, France, were included in the financial statements as of January 1, 2008 for the first time. So far, these companies have not been material to the net assets, financial position and results of operations of the group.

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
Reimelt (GmbH) UK Ltd., Enfield, Great Britain	50.00

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 Henschel Trading (Shenzhen) Co. Ltd., Shenzhen, China	100.00
Reimelt Henschel Asia Ltd., Hongkong, China	100.00
Reimelt (Canada) Limited, Richmond Hill, Ontario, Canada	100.00
Reimelt Korea Corp., Seongnam, South Korea	100.00

The list of shareholdings is set out in an annex to the notes.

3. Consolidation Principles

The consolidated financial statements comprise the financial statement as of December 31 for each financial year with respect to MBB Industries AG and its subsidiaries. The subsidiaries' financial statements have been prepared on the basis of uniform accounting policies and on the same balance sheet date as the financial statements of the parent.

The date of the balance sheet of the subsidiaries included in the group financial statements is December 31 of the current financial year.

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

Reporting Currency

The consolidated financial statements are compiled 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 (€ k). Figures are stated in euros (€), thousands of euros (€ k) and millions of euros (€ 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 exchange rate at the date of acquisition.

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, 2008	Closing rate	Average rate
Romanian leu (RON)	3.9852	3.6827
Polish zloty (PLN)	4.1724	3.5131
US dollars (USD)	1.4097	1.4713
Brazil real (BRL)	3.3214	2.6823

Dezember 31, 2007	Closing rate	Average rate
Romanian leu (RON)	3.6102	3.3378
Polish zloty (PLN)	3.5820	3.7836
US dollars (USD)	1.4729	1.4338

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 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 €0. 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
- Computer 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, 2008 and December 31, 2007, the Group only had loans and receivables extended and available-for-sale financial assets. In addition, there were five forward exchange contracts on the reporting date.

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, 2008 and December 31, 2007.

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.

As of December 31, 2008, there are a total of five 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 €215k. 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 are measured pursuant to IAS 19 (rev. 2002).

The pension obligations are viewed as part of a defined benefit plan and measured using the projected unit credit method as a result. An interest rate of 5.75% (prior year: 5.5%) was used.

Actuarial gains and losses are 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 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. On December 31, 2008 a change was implemented to the effect that the stage of completion of the contract is calculated by labour hours incurred. The resulting impact on earnings was in material. Contract revenue on machinery is still determined using the cost-to-cost method. The retrospective adjustment of prior-period figures is not possible due to a lack of information.

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 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. The Group has no contingent liabilities with the exception of legal claims arising in the ordinary course of business.

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 IFRS 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.

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, 2008, the provision for pensions and similar obligations amounted to €3,360k (2007: €3,356k).

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

1. 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, 2008

	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	551	957	0	0
2. Goodwill	2,626	0	4,766	0	0
	5,195	**551**	**5,723**	**0**	**0**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land	36,666	206	0	0	0
2. Technical equipment and machines	34,332	1,204	354	180	0
3. Other equipment, furniture and fixtures	10,977	435	932	0	0
4. Payments on account and assets under construction	1,468	464	0	-180	0
	83,443	**2,309**	**1,286**	**0**	**0**
III. Financial assets					
1. Investments in affiliated entities	401	0	0	0	0
2. Investments in associates	47	36	0	0	0
3. Equity investments	2	12	0	0	0
4. Loans to affiliated entities	1,013	0	0	0	0
5. Other loans	496	125	0	0	0
	1,959	**173**	**0**	**0**	**0**
Total	**90,597**	**3,033**	**7,009**	**0**	**0**

Disposals 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	Amortization, depreciation and write-downs in the fiscal year
€ k	€ k	€ k	€ k	€ k	€ k
128	0	1,423	2,526	1,663	614
0	-25	1,827	5,540	780	7
128	**-25**	**3,250**	**8,066**	**2,443**	**621**
33	-19	9,690	27,130	28,761	1,217
680	7	19,832	15,565	16,789	2,531
834	3	8,152	3,361	2,626	764
1,063	37	0	726	1,505	0
2,610	**28**	**37,674**	**46,782**	**49,681**	**4,512**
177	1	0	225	397	0
47	0	0	36	47	0
2	0	0	12	2	0
1,013	0	0	0	248	0
319	0	0	302	496	0
1,558	**1**	**0**	**575**	**1,190**	**0**
4,296	**4**	**40,924**	**55,423**	**53,314**	**5,133**

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	1,252	78	1,239	0	0
2. Goodwill	3,120	153	0	0	647
	4,372	**231**	**1,239**	**0**	**647**
II. Property, plant and equipment					
1. Land, land rights and buildings, including buildings on third-party land	26,699	2,657	10,332	0	407
2. Technical equipment and machines	31,829	678	623	1,415	0
3. Other equipment, furniture and fixtures	9,203	725	1,430	0	153
4. Payments on account and assets under construction	1,315	1,568	0	-1,415	0
	69,046	**5,628**	**12,385**	**0**	**560**
III. Financial assets					
1. Investments in affiliated entities	4	0	397	0	0
2. Investments in associates	42	25	0	0	0
3. Equity investments	0	2	0	0	0
4. Loans to affiliated entities	765	7	241	0	0
5. Other loans	700	176	0	0	371
	1,511	**210**	**638**	**0**	**371**
Total	**74,929**	**6,069**	**14,262**	**0**	**1,578**

Disposals 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	Amortization, depreciation and write-downs in the fiscal year
€ k	€ k	€ k	€ k	€ k	€ k
0	-34	872	1,663	825	445
0	-25	1,821	780	3,095	1,821
0	**-59**	**2,693**	**2,443**	**3,920**	**2,266**
2,615	-31	7,874	28,761	19,586	761
213	17	17,560	16,789	17,696	3,427
228	-18	8,333	2,626	1,336	466
0	37	0	1,505	1,315	0
3,056	**5**	**33,767**	**49,681**	**39,933**	**4,654**
0	0	4	397	0	0
20	0	0	47	42	0
0	0	0	2	0	0
0	0	765	248	0	0
9	0	0	496	700	0
29	**0**	**769**	**1,190**	**742**	**0**
3,085	**-54**	**45,656**	**53,314**	**44,595**	**6,920**

2. Goodwill

The goodwill reported relates to the acquisitions of the Romanian Delignit entities (Technical Applications segment), Hanke Tissue Sp. z o.o., Kostrzyn, Poland (Industrial Production segment), the business of Guth Engineering and the first-time consolidation of Reimelt Ltda., Reimelt France E.U.R.L. (Technical Applications segment) and DTS Group (Trading & Services segment).

€2m of the changes in the fiscal year relate to the asset deal acquisition of Guth Engineering, €1.7m from the first-time consolidation of the DTS Group and €1m from the fist-time consolidation of Reimelt Ltda. and Reimelt France E.U.R.L.

Goodwill is tested for impairment on the basis of cash generating units; as a result there was no need to record any 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.

3. 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.

4. Investment in an Associate

The Group has a share of 20% in KKS Hahn Konzert- und Veranstaltungs-Service GmbH, Leverkusen, Germany, and a share of 50% in Reimelt (GmbH) UK Ltd., Enfield, Great Britain.

The key figures of these companies are as follows:

KKS	2008 € k	2007 € k
Total assets	674	665
Liabilities	286	245
Revenue	2,125	2,082
Profit for the year	162	153

Reimelt UK	2008 € k	2007 € k
Total assets	110	110
Liabilities	24	24
Revenue	145[1]	655[2]
Profit for the year	7[1]	63[2]

[1] Short period from July 1, 2008 to December 31, 2008
[2] Financial year from July 1, 2007 to June 30, 2008

In 2008 Reimelt (GmbH) UK Ltd. has been included in the consolidated financial statements for the first time

5. Other Loans

The other loans entail essentially long-term fixed deposits to safeguard "Altersteilzeit" (German special phased retirement scheme) obligations in the event of insolvency (€0.3m).

6. Inventories

	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Raw materials, consumables and supplies	10,234	8,702
Work in process	4,403	5,358
Finished goods	7,458	7,208
Payments on account	3,843	485
Total	**25,938**	**21,753**

Inventory range write-downs of €2,062k were recognized on raw materials, consumables and supplies as of December 31, 2008.

7. Trade Receivables

	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Trade receivables	28,659	21,626
Less specific bad dept allowance	-1,054	-1,172
Total	**27,605**	**20,454**

Gross receivables after setting off against payments on account received (€2,442k) include receivables from the use of the "percentage of completion" method amounting to €0k (previous year: €748k). Contract costs are recognized as expenses in the amount of €1,993,8k during the period with regard to the structure of the percentage of completion, we refer to item III.1. Revenue.

All trade receivables are due within one year.

8. Other Assets

These primarily include tax refund claims.

9. Securities

The securities are bonds and shares held for sale.

10. Deferred Taxes

Deferred tax assets		Deferred tax liabilities	
Dec. 31, 2008 € k	Dec. 31, 2007 € k	Dec. 31, 2008 € k	Dec. 31, 2007 € k
1,290	4,729	6,129	7,415

Deferred tax assets as of December 31, 2008 stem primarily from hidden charges recognized as liabilities in acquisition accounting, measurement differences for pension provisions in the IFRS balance sheet and the tax accounts, and from finance lease.

Deferred tax assets as of December 31, 2008 stem primarily from hidden charges recognized as liabilities in acquisition accounting, measurement differences for pension provisions in the IFRS balance sheet and the tax accounts, and from finance lease.

Development of the Net Item

	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Deferred tax liabilities	-6,129	-7,415
Deferred tax assets	1,290	4,729
Total	**-4,839**	**-2,686**

11. Equity

For the development of equity, we refer to the “Consolidated Statement of Changes in Equity” which is published separately to these notes.

Capital Stock

The capital stock of MBB amounts to €6,6m and is paid 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 €4,838k in the course of a capital increase from the capital reserves and by a further €1,6m from €162k to €6,6m through the issue of new shares.

The shares were held as follows:

	Dec. 31, 2008 number of shares	%	Dec. 31, 2007 number of shares	%
MBB Capital Münster GmbH, Münster	2,687,000	40.712	3,007,500	45.568
MBB Capital GmbH, Berlin	2,000,000	30.303	1,654,339	25.066
LRI Invest S.A., Luxembourg	222,000	3.364	n/a	-
Flowerfield Holding GmbH, Hamburg	143,982	2.182	143,989	2.182
Tolea GmbH, Niederkassel	130,000	1.970	130,000	1.970
Dacapo Zweite Unternehmens-beratung GmbH, Berlin	30,000	0.455	n/a	-
Dr. Philipp Schmiedel-Blumenthal, Hamburg	11,903	0.180	n/a	-
Greenstone Advisory GmbH, Hamburg	9,011	0.137	n/a	-
Dr. Matthias Rumpelhardt, Berlin	2,000	0.030	n/a	-
Freefloat	1,364,104	20.668	1,664,172	25.215
Total	**6,600,000**	**100.00**	**6,600,000**	**100.00**

100% of shares in MBB Capital GmbH and MBB Capital Münster GmbH are held by MBB Capital Group GmbH, in which Gert-Maria Freimuth and Dr. Christof Nesemeier each hold a 50% share.

100% of the shares in Tolea GmbH are held by Anton Breitkopf.

98% of the shares in Flowerfield Holding GmbH are held by Dr. Philipp Schmiedel-Blumenthal.

100% of the shares in Greenstone Advisory GmbH are held by Flowerfield Holding GmbH.

100% of the shares in Dacapo Zweite Unternehmensberatung GmbH are held by Dr. Matthias Rumpelhardt.

MBB Capital Group GmbH, Münster, has an indirect shareholding of 71.01% in MBB via its wholly-owned subsidiaries MBB Capital Münster GmbH, Münster, and MBB Capital GmbH, Berlin.

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 €2,5m by issue of no par value bearer shares in return for cash and/or non-cash contributions (approved capital I).

Furthermore, based on the annual meeting's resolution dated June 30, 2008, MBB was authorized to purchase and sale its own shares up to a maximum of 10% of the share capital as from July 1, 2008 to December 29, 2009.

Capital reserves

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

€ 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.

Legal Reserve

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

Currency Translation Differences

Foreign currency translation differences result from using the modified closing rate method.

Items of profit and loss, presented in foreign currency in the single entity financial statements, are translated at the average exchange rate for the period into the functional currency and equity is translated at historical rates from initial consolidation into the functional currency.

The first-time application of IFRIC 16 (Hedges of a net investment in a foreign operation) has resulted in the offsetting of discrepancies from the translation of loans in euro to the functional currency of the Romanian companies with the currency translation reserve. A hedging relationship exists between the Romanian companies and the company Blomberger Holzindustrie (included in the consolidated financial statements).

12. Provisions for Pensions and Similar Obligations

	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Pension provisions at the beginning of the fiscal year	3,356	2,491
+ Additions from acquisition accounting	0	1,213
- Reversal in connection with the sale of subsidiaries	0	-263
- Utilization	-260	-270
+ Addition to provisions (service cost)	34	115
+ Addition to provisions (interest cost)	187	125
+ / - Actuarial losses/gains	43	-55
Pension provisions at the end of the fiscal year	3,360	3,356

The following actuarial assumptions were used:

Interest rate	5.75 %	5.5 %
Increase in pensions	2.0 %	2.0 %
Increase in salaries	2.5 %	2.5 %

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:

	2008 € k	2007 € k
Addition to provisions (service cost)	-34	-115
Addition to provisions (interest cost)	-187	-125
Reversal in connection with the sale of subsidiaries	0	263
Actuarial gains (+) / losses (-)	-43	55
Total	**-264**	**78**

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

13. Liabilities

The maturities of the liabilities are as follows:

December 31, 2008 Remaining term

	up to 1 year € k	between 1 and 5 years € k	more than 5 years € k	Total € k
Liabilities to banks	9,286	14,609	2,171	26,066
Payments received on account	8,044	0	0	8,044
Trade payables	18,883	0	0	18,883
Other liabilities	6,121	1,045	0	7,166
Accruals	4,154	0	0	4,154
Total	**46,488**	**15,654**	**2,171**	**64,313**

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 received on account	6,138	0	0	6,138
Trade payables	12,128	0	0	12,128
Other liabilities	5,659	1,251	0	6,910
Accruals	3,904	0	0	3,904
Total	**42,440**	**6,631**	**6,168**	**55,239**

Liabilities to banks are subject to fixed and variable interest at rates of between 3.9% and 21.99%. 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 € 44,777k as December 31, 2008 (prior year: €35,175k).

14. Other Liabilities

Other liabilities are as follows:

	2008 € k	2007 € k
Other non-current liabilities		
Lease liabilities	1,045	1,251
	1,045	**1,251**
Other current liabilities		
Commissions	1,756	1,477
Wages and salaries	656	710
Wage tax	878	624
VAT	331	209
Lease liabilities	764	772
Social insurance	503	560
Other	1,233	1,307
Total	**6,121**	**5,659**

15. Provisions

Current provisions and accruals are as follows:

	Jan. 1, 2008	Acquisition accounting	Utilisation	Reversal	Addition	Dec. 31, 2008
Litigation costs	8,859	6	20	4,526	142	4,461
Warranties	2,440	34	607	270	1,884	3,481
Restructuring	2,432	0	2,401	0	550	581
Long-service awards	268	0	17	0	15	266
Financial statement preparation and audit costs	298	23	292	14	387	402
Bonuses	5	0	5	0	15	15
Others	607	41	1,170	29	1,794	1,243
	14,909	104	4,512	4,839	4,787	10,449
Outstanding invoices	1,005	0	442	42	863	1,384
Vacation	984	57	987	2	876	928
Flextime	664	0	321	0	294	637
Variable salary and commissions	605	0	511	94	345	345
Phased retirement	481	0	66	0	299	714
Employer's liability insurance	165	0	128	21	130	146
	3,904	57	2,455	159	2,807	4,154
Total	**18,813**	**161**	**6,967**	**4,998**	**7,594**	**14,603**

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.

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 Henschel GmbH. The proceedings are still in a very early stage (discovery). According to the current stage of knowledge is the insurance coverage as well as the provision recognized in the financial statements sufficient.

Warranties

Provisions for warranties include essentially future subsequent cost.

Tax Provisions

The tax provisions are as follows:

	2008 € k	2007 € k
Trade tax	522	227
Corporate income tax	808	263
Other taxes	39	8
Total	**1,369**	**498**

16. Rent and Lease Obligations

Operating Leases and Rent

	Dec. 31, 2008 € k	Dec. 31, 2007 € k
Minimum lease payments from operating leases	5,431	1,622

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

Within one year	2,109	752
After one year but not more than five years	3,322	870
More than five years	0	0
Minimum rent payments	1,424	824

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

Within one year	534	520
After one year but not more than five years	890	304
More than five years	0	0
Cost of operating leases and rental agreements in the reporting year	1,473	1,144

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

Finance Leases

The following assets are used as part of finance leases:

	2008 € k	2007 € k
Technical equipment and machines		
Cost as of Jan, 1	4,279	2,990
Change in consolidated group	0	574
Additions	208	715
Cost as of Dec, 31	4,487	4,279
Depreciation as of Jan, 1	-1,207	-559
Additions	-1,112	-648
Depreciation as of Dec, 31	-2,319	-1,207
Carrying amount	**2,168**	**3,072**
Furniture and fixtures		
Cost as of Jan, 1	167	49
Change in consolidated group	354	0
Additions	0	118
Cost as of Dec, 31	521	167
Depreciation as of Jan, 1	-20	-4
Additions	-43	-16
Depreciation as of Dec, 31	-63	-20
Carrying amount	**458**	**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	1,153	841	0
Discounted amounts	-109	-77	0
Present values	1,044	764	0

III. Notes to the Income Statement

1. Revenue

Revenue increased compared to 2007 by a total of €85.7m to €199.3m. The development of revenue is explained in the management report. The segment report contains a breakdown in which revenue is split primarily by business segment and then by geographic 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. On December 31, 2008, a change took place to the effect that the stage of completion of the contract is calculated by labour hours incurred. Contract revenue on machinery is still determined using the cost-to-cost method. The retrospective adjustment of prior-period figures is not possible due to missing information.

Contract revenue is calculated using the contractual documents and binding offers available. The following table shows revenues from construction contracts in each year, regardless of whether the underlying orders have been completed or not:

	2008 € k	2007 € k
Contract revenue recognized in the reporting period	4,070	7,342

2. Other Operating Income

	2008 € k	2007 € k
Income from the reversal of provisions	4,998	808
Purchase price reduction	500	0
Exchange gains	481	35
Other own work capitalized	324	21
Income from the reversal of bad debt allowances	265	236
Income from debt consolidation	230	0
Income from the disposal of non-current assets	126	36
Income from renumeration in kind	105	0
Income from rent	103	90
Insurance indemnification	69	1,606
Income relating to other periods	27	360
Income from the refund of mineral oil and electricity tax	10	79
Reversal of credit difference from acquisition accounting	0	9,123
Income from removals from consolidated group/change in minority interests	0	4,007
Other	1,228	843
Total	**8,466**	**17,244**

3. Other Operating Expenses

	2008 € k	2007 € k
Travel/vehicle costs	4,083	1,658
Maintenance costs	2,372	2,455
Legal and consulting costs	1,790	1,497
Rents and leases	1,473	1,235
Other services	1,139	800
Advertising costs	1,119	557
Fees and contributions	622	351
Telephone, postage, fax	571	360
Bank charges and fees	559	474
Insurance	444	370
Other personnel expenses	317	252
Restructuring expenses	312	2,379
Expenses relating to other periods	277	266
Bad debts and bad debt allowances	187	364
Expense from the disposal of non-current assets	134	24
Exchange losses	144	156
Prime Standard Entry	168	0
Office supplies	93	0
Selling expenses/freight costs	0	251
Other	3,064	1,341
Total	**18,868**	**14,790**

4. Finance Costs

	2008 € k	2007 € k
Interest	2,848	1,799
Write down of short term securities	371	0
Interest expense from finance leases	81	59
Other interest and similar expenses	131	229
Total	**3,431**	**2,087**

5. Finance Income

	2008 € k	2007 € k
Interest	561	357
Other interest and similar income	221	180
Total	**782**	**537**

6. Income Taxes

	2008 € k	2007 € k
Trade tax	-282	-314
Corporate income tax	-872	-802
Other tax expense	-51	-321
Deferred taxes	-2,182	2,287
Total	**-3,387**	**850**

More detailed information about deferred tax assets and deferred tax liabilities are shown under point I.4 “Deferred Taxes”. A combined income tax rate of 30% is applied for German subsidiaries. For foreign subsidiaries, the future local tax rate is applied.

Reconciliation between income tax expense and the product of accounting profit multiplied by the Group’s applicable tax rate for fiscal years 2008 and 2007 is as follows:

	2008 € k	2007 € k
Result from ordinary activities	11,516	12,708
Applicable (statutory) tax rate	30.0%	40.0 %
Expected tax income	3,454	5,083
Differences from foreign tax rates	349	-127
Effect of tax rate change	0	-1,182
Goodwill impairment that is not tax-deductible	0	637
Tax-free income from the sale of equity investments	0	-1,603
Income from reversal of the credit difference	-150	-3,649
Other tax effects	-266	-9
Current tax expense	**3,387**	**-850**

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.

	2008 €	2007 €
Profit attributable to ordinary equity holders of the parent	8,028,978	13,629,273
Weighted average number of ordinary shares for earnings per share	6,600,000	6,600,000
Earnings per share	1.22	2.07

IV. Segment Report

Segment reporting has been prepared for the first time by applying IFRS 8 (operating segments). Consequently, an operating segment is a component of an entity for which discrete financial information is available and which is regularly reviewed by the entity chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. Previous years' figures have been adjusted to achieve comparability with the new segment reporting structure.

For management purposes, the following segments are defined:

Technical Applications

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

The entities of the Reimelt-Henschel Group produce components and systems for handling and processing powdered and liquid raw materials for the food, pharmaceutical 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.

The Delignit group develops, manufactures and sells ecological products based on the natural, renewable and carbon 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. Using Delignit materials as a substitute for applications based on non-renewable raw materials thus improves customers' environmental performance and fulfils their continually rising ecological requirements.

Besides the AUTOMOTIVE and TECHNOLOGICAL APPLICATIONS divisions, the operating business of the Delignit Group also comprises a VENEER division that includes S.C. Cildro S.A., a company specialized in sliced veneers. Delignit was founded over 200 years ago and owned by the founding family until it was acquired by MBB Industries AG in 2003.

Industrial Production

The segment industrial production comprises those holdings whose primary strengths lie in the production of products which are relatively standardized. Accordingly, the Hanke and OBO holdings belong to this segment.

OBO is an international supplier of polyurethane boards for use in model, mold and tool construction. The majority of OBO's customers are mainly in the automotive industry. Hanke produces raw tissue wadding as well as napkins, handkerchiefs, bathroom tissue and household rolls. It is the "aha" label that gives Hanke its 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.

Trading & Services

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

Huchtemeier is an international paper trading group. In addition to its specialty papers and tissue semi finished products for the paper converting industry, it also markets hygiene paper products and napkins for wholesalers and retailers. Huchtemeier has been trading in paper for over a century.

DTS Systeme is an IT infrastructure provider specialising in such fields as IT security, storage, virtualisation, and data centres. The company offers a wide variety of Internet services from its computer centre in the region of East Westphalia-Lippe. The business model comprises consultancy services, conceptual design, procurement, and the implementation and operation of IT environments. DTS was founded in 1983, until acquisition by MBB Industries AG it was part of a regional company-group. DTS' registered office is in the city of Herford, it also maintains offices in the cities of Bochum and Bremen.

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, 2008

	Technical applications € k	Industrial production € k	Trading & Services € k	Consolidation € k	Group € k
Third parties	143,031	27,332	28,957	25	199,345
Other segments	573	0	0	-573	0
Total revenue	**143,604**	**27,332**	**28,957**	**-548**	**199,345**
Earnings (EBIT)	**12,496**	**1,872**	**1,709**	**-1,635**	**14,442**
Amortization and depreciation	3,339	1,513	230	52	5,134
Share of profit of an associate	0	0	32		
Capital expenditure	4,677	1,030	1,453		
Investments in associates	0	0	36		
Segment assets	**83,482**	**18,848**	**9,123**		
Segment liabilities	**42,046**	**2,941**	**6,264**		

Financial year as of December 31, 2007

	Technical applications € k	Industrial production € k	Trading & Services € k	Consolidation € k	Group € k
Third parties	72,483	27,721	13,435	9	113,648
Other segments	767	513	0	-1,280	0
Total revenue	**73,250**	**28,234**	**13,435**	**-1,271**	**113,648**
Earnings (EBIT)	**6,979**	**2,731**	**-1,443**	**6,101**	**14,368**
Amortization and depreciation	3,529	1,825	1,727	-161	6,920
Share of profit of an associate	0	0	26		
Capital expenditure	5,366	428	13		
Investments in associates	0	0	47		
Segment assets	**89,632**	**21,489**	**1,376**		
Segment liabilities	**40,071**	**3,475**	**2,131**		

Reconciliation of EBIT to profit for the year

	2008 € k	2007 € k
Total EBIT of segments	**14,442**	**14,368**
Financial result	-2,649	-1,550
EBT	11,793	12,818
Income taxes	-3,387	850
Other taxes	-277	-110
PAT	8,129	13,558
Minority interests	-100	71
Profit for the year	**8,029**	**13,629**

Reconciliation of segment assets to assets

	2008 € k	2007 € k
Technical application segment	83,482	89,632
Industrial production segment	18,848	21,489
Trading & services segment	9,123	1,376
Total segment assets	**111,453**	**112,497**
Deferred tax assets	1,290	4,729
Cash and cash equivalents	25,085	12,850
Financial assets	272	1,143
Other assets	1,785	698
Total assets	**139,885**	**131,918**

Reconciliation of segment liabilities to equity and liabilities

	2008 € k	2007 € k
Technical application segment	42,046	40,071
Industrial production segment	2,941	3,475
Trading & services segment	6,264	2,131
Total segment liabilities	**51,251**	**45,677**
Consolidated capital	54,265	50,501
Deferred tax liabilities	6,129	7,415
Liabilities to banks	26,066	26,159
Lease liabilities	1,809	2,023
Other liabilities	365	143
Total equity and liabilities	**139,885**	**131,918**

The segment liabilities do not include any liabilities from taxes, finance leases or liabilities to banks.

Information by Region

Revenue From External Customers

	2009 € k	2007 € k
Europe	142,202	97,750
USA	14,518	6,770
Asia	899	5,683
Other	41,727	3,445
Total	**199,346**	**113,648**

Non-Current Assets

	2008 € k	2007 € k
Europe	54,502	51,797
USA	307	327
Asia	0	0
Other	39	0
Total	**54,848**	**52,124**

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 was compiled using the indirect method.

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

VI. Changes in the Consolidated Group

In the fiscal year 2008, the Group acquired 80% of the shares in the DTS Group and the business of Guth Engineering in an asset deal. Total purchase prices of €1,48k were payable for the acquisition of the shares and operations.

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

	€ k
Inventories	2,282
Cash and cash equivalents	138
Accounts receivables	1,727
Non-current assets	2,541
Other assets	803
Financial liabilities	-1,866
Trade payables	-2,588
Other liabilities/provisions	-5,013
Subtotal	**-1,976**
Acquisition of minority interests	276
Goodwill	3,180
Total purchase price	**1,480**

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

	€ k
Purchase price payable in cash	-1,480
net of cash acquired	138
Cash outflow	-1,342

VII. Financial Risk Management Objectives and Policies

Financial Assets und Liabilities

Financial liabilities in the Group consist of long and short-term liabilities to banks; short term accounts payables and other long and short term liabilities. Group assets include, essentially, cash and cash equivalents, securities, trade receivables and shares on companies which are not consolidated. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are set out in the balance sheet. It amounts to €27,830k (previous year: €20,941k). Business contacts are only entered into with creditable partners. Evaluation of creditworthiness, especially of key accounts, is based on available financial information and internal data records. Trade receivables exist with respect to a number of customers from different branches and regions. Continuous monitoring is performed with regard to outstanding debts. Normally, the term of payment is 30 days without deductions. Overdue receivables have not been adjusted, if there were no changes in customers' creditworthiness and settlement is expected. At the reporting date, approximately 20% of receivables were older than 30 days.

Regarding the maturities of the financial liabilities, we refer to point II.13 "liabilities".

Accounting policy of financial assets and financial liabilities is presented under point I.4 “Investments and other financial assets” and I.4 “Financial Liabilities”.

The group does not exercise the fair value option. In 2008 the group has securities classified as financial assets held for trading to the amount of €2,567k (previous year: €1,596k). Neither in the current nor in the last financial statements were there any financial liabilities at fair value through profit and loss in the group. Derivatives and hedging transactions were carried out only to a small extent (€ 215k). There were no reclassifications in 2008 or 2007.

Capital risk management

The Group’s aim in managing its capital structure (equity plus liabilities minus cash and cash equivalents) is to reach its growth targets by financial flexibility and to optimize its financial costs at the same time. This strategy has not changed.

The capital structure is monitored at least semi-annually. The costs of capital, securities as collateral and the unused credit facilities are monitored.

For the reporting period, the structure of capital is as follows:

	Dec. 31, 2008	Dec. 31, 2007
Equity in € k	54,265	50,501
- as % of total assets	38.8%	38.3%
Liabilities and provisions in € k	85,620	81,417
- as % of total assets	61.2%	61.7%
Current liabilities in € k	58,306	57,847
- as % of total assets	41.7%	43.9%
Non-current liabilities in € k	27,314	23,570
- as % of total assets	19.5%	17.8%
Net debt equity ratio*	1.16	1.11

* calculated as liabilities minus cash and cash equivalents in relation to equity

The group is obliged to meet certain equity ratios based on the agreement of several financial covenants when taking out loans.

Financial risk management

Management monitors and controls financial risk centrally. Financial risks are always monitored at least quarterly.

The group’s main risks from financial instruments include liquidity and credit risks. Business connections are principally established only with creditworthy partners. To evaluate the creditworthiness of key accounts information from rating agencies, other available information and internal recordings are used. In addition, trade receivables are permanently monitored. As a result, MBB has no significant concentration of credit risk. The maximum credit risk equals the carrying amounts of the financial assets recognized in the balance sheet.

The Group controls liquidity risk by holding appropriate reserves, by monitoring and meeting the agreed conditions as well as by planning and coordinating cash in and outflows.

Market risks

Market risks result from fluctuations in foreign exchange rates (exchange rate risk) or interest rates (interest rate risk). Due to the minor relevance of exchange rate risks for the group there were only five foreign exchange forward contracts as of December 31, 2008 to hedge the respective risk. The forward contracts hedge future expected sales in US, for which binding contracts exist. Controlling is performed by continuous monitoring. The group largely avoids exchange rate risks by invoicing in € or in local currency.

By raising credits at variable interest levels, the group is exposed to interest rate risks. These risks are controlled by a reasonable proportion of fixed and variable interest agreements. Hedges by derivatives (e.g. interest rate swap or interest future contracts) are not performed. On the balance sheet date, there were liabilities with variable interest rates to the amount of €15,895.7k. If interest rates had been 2% higher(lower) with all other variables held constant, post tax profit for the year would have been €317.9k lower(higher).

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.

VIII. Other Notes

Managing Board

MBB's Managing Board comprised the following members in fiscal year 2008:

- Dr. Christof Nesemeier, business administration graduate, entrepreneur, CEO (Responsible for strategies, finance and investment management)
- Gert-Maria Freimuth, business administration graduate, enterpreneur (Responsible for mergers & acquisitions, law and marketing)

Board of Directors

MBB's Board of Directors comprised the following members in fiscal year 2008:

- 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 2008, the expenses for the fixed remuneration were as follows:

- Dr. Christof Nesemeier, CEO
  counterparty to MBB Capital GmbH
  € 240,000,00

- Gert-Maria Freimuth, Managing Board member
  counterparty to MBB Capital GmbH
  € 216,000,00

The members of the Managing Board also personally received supervisory board compensation for Delignit AG of € 20,000.00 and € 15,000.00, respectively, for 2008.

For the 2008 financial year, the management of MBB Industries AG receives a total variable remuneration of 9% of the amount of net consolidated earnings after taxes and minority interests exceeding €6.6m and below €19.8m. The distribution amongst members of the management und the Managing Board of MBB AG is based on a proposal by the CEO and by resolution of the Board of Directors.

The Board of Directors receives an attendance fee. The board's chairman receives twice and the deputy chairman one and a half times the attendance fee. In addition, D&O insurance without deductible has been contracted for the board of directors. Furthermore, the chairman of the Board of Directors is entitled to 0.4% and the other members of the board of directors to 0.3% of net consolidated earnings after taxes and minority interests exceeding €6.6m and below €19.8m. The board of directors receives reimbursement of expenses against receipt.

Ultimately, the variable compensation of management, members of the board und board of directors may not exceed 25% of the annual net profit of MBB Industries AG – irrespective of aforementioned thresholds.

Net consolidated earnings after taxes and minority interests for fiscal year 2008 amount to € 8,028,978.12. The Managing Board and management are thus entitled to total variable remuneration of 9% of € 1,428,978.12. This amounts to a figure of € 128,608.03. The CEO proposes the following variable remuneration for the Managing Board to the Board of Directors to be determined on April 21, 2009:

- Dr. Christof Nesemeier, CEO
  counterparty to MBB Capital GmbH
  € 24,435.53

- Gert-Maria Freimuth, Managing Board member
  counterparty to MBB Capital GmbH
  € 24,435.53

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.

1. The following persons are related parties

a. Managing Board

Please refer to the comments on Managing Board remuneration. With the exception of the stated emoluments, there were no other transactions with the MBB Group.

b. Members of MBB's Board of Directors

The members of the Board of Directors received fixed compensation of € 18,000 in fiscal year 2008. The fixed compensation is distributed to the Board of Directors as follows:

- Chairman, Dr. Peter Niggemann, € 8,000.00,
- Deputy Chairman, Dr. Jan C. Heitmüller, € 6,000.00,
- Member, Dr. Matthias Rumpelhardt, € 4,000.00.

Pursuant to a resolution by the general meeting on June 30, 2008, the Board of Directors additionally receives variable compensation of 1% in total of the amount of net earnings in the fiscal year exceeding € 6,600,000.00 and falling below the amount of € 19,800,000.00 (net consolidated earnings after taxes and minority interests). Similar to management and the Managing Board, the Board of Directors also agreed to limit the measurement base for variable compensation to 25% of net earnings. Pursuant to the resolution of general meeting the members of the Board of Directors are entitled to variable compensation as follows:

- Chairman, Dr. Peter Niggemann, 0.4%, which corresponds to € 5,715.91,
- Deputy Chairman, Dr. Jan C. Heitmüller, 0.3%, which corresponds to € 4,286.93,
- Member, Dr. Matthias Rumpelhardt, 0.3%, which corresponds to € 4,286.93.

Consequently, the Board of Directors is entitled to a total variable compensation of € 14,289.77.

A corresponding provision was recognized in the 2008 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.

2. Related Companies

The affiliated entities included in the consolidated financial statements are regarded as related parties. Transactions between the Company and its subsidiaries were eliminated on consolidation and are not explained in these notes or they are of minor importance and common in the industry.

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.

Employees

The average number of employees in fiscal years 2008 and 2007 breaks down as follows:

	2008	2007
Technical Applications	1,524	1,210
Industrial Production	246	245
Trading & Sevices	63	13
Total	**1,833**	**1,468**

Auditors' Fees

The fee recognized for auditors in fiscal year 2008 amounts to €145,9k and relates solely to the audit of financial statements.

Events After the Balance Sheet Date

There were no significant 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 €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 €350k in total. The guarantee decreases to €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.

Declaration pursuant to § 161 AktG

As listed company MBB Industries AG must publish an annual declaration of their compliance with the recommendations of the "Government Commission German Corporate Governance Codex" pursuant to § 161AktG. The Managing Board and the Board of Directors will make this declaration on April 21, 2009. It will be published together with the financial statements and the consolidated financial statements and shareholders will get access to this at www.mbbindustries.com at the same time.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, Germany, April 14, 2009

MBB Industries AG
The Managing Board

Shareholdings of MBB industries AG, Berlin, Germany, as of December 31, 2008

Equity investment	Registered office	Share in capital	Local Currency (LC)	Equity in LC k	Earnings in LC k
Delignit AG	Blomberg	80.55 %	EUR	14,390	384
Blomberger Holzindustrie B. Hausmann GmbH & Co. KG	Blomberg	99.40 %	EUR	1,604	0
Hausmann Verwaltungsgesellschaft mbH	Blomberg	100.00 %	EUR	99	0
OBO-Industrieanlagen GmbH	Stadthagen	5.20 %	EUR	260	21
S.C. Delignit Romania Srl.	Drobeta Turnu Severin	99.99 %	RON	10,034	-2,415
S.C. Cildro S.A.	Drobeta Turnu Severin	93.93 %	RON	21,811	-5,096
S.C. Cildro Service Srl.	Drobeta Turnu Severin	100.00 %	RON	-1,726	-2,572
OBO Modulan GmbH	Stadthagen	100.00 %	EUR	-9	-10
OBO-Werke GmbH & Co KG	Stadthagen	100.00 %	EUR	885	-20
OBO-Werke Verwaltungsgesellschaft mbH	Stadthagen	100.00 %	EUR	34	0
OBO-Industrieanlagen GmbH	Stadthagen	94.80 %	EUR	260	21
Huchtemeier Verwaltung GmbH	Dortmund	100.00 %	EUR	22	-2
Huchtemeier Papier GmbH	Dortmund	80.00 %	EUR	237	35
KKS Hahn Konzert- und Veranstaltungs-Service GmbH	Leverkusen	20.00 %	EUR	0	0
Hanke Tissue Sp. z o.o.	Küstrin	100.00 %	PLN	18,141	4,622
Reimelt Henschel GmbH	Rödermark	100.00 %	EUR	14,445	5,331
Dietrich Reimelt Pulsnitzer Maschinenbau GmbH	Burkau	100.00 %	EUR	179	-600
Reimelt Corporation	Odessa, USA	100.00 %	USD	2,184	309
Reimelt Ltda.	Sao Paulo	90.00 %	BRL	-174	-61
Reimelt France E.U.R.L.	Venissieux	100.00 %	EUR	-332	103
Reimelt (GmbH) UK Ltd.	Enfield	50.00 %	GBP	108	6
Reimelt (Canada) Limited [1]	Richmond Hill	100.00 %	CAD	70	-5
Reimelt Korea Corp. [1]	Seoul	100.00 %	WON	-260	-227
Reimelt Henschel Asia Ltd. [1]	Honkong	100.00 %	HKD	2,706	1,700
Reimelt Henschel Trading (Shenzhen) Ltd. [1]	Shenzhen	100.00 %	CNY	1,363	268
DTS Beteiligungen GmbH & Co. KG	Herford	80.00 %	EUR	108	8
DTS Beteiligungen Verwaltungs GmbH	Herford	100.00 %	EUR	25	0
DTS Systeme GmbH	Herford	100.00 %	EUR	504	58

[1] Figures relate to the financial statements as of June 30, 2008.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by MBB Industries AG 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 summarized management report and group management report for the period from January 01, 2008 through December 31, 2008. The preparation the consolidated financial statements and the summarized management report and group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the summarized management report and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": German Commercial Code] and the German generally accepted standards for the audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 and the summarized management reporting and group management reporting 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 summarized management report and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial statements of the entities included in the consolidated financial statements, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. 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 IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant § 315a Abs. 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 summarized management report and group 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 of future development.

Düsseldorf, April 14, 2009

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed
Hillesheim
Wirtschaftsprüfer
[German Public Auditor]

signed
Grote
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 6, 2008 pursuant to $ 161 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 and the wording of June 6, 2008, respectively, pursuant to § 161 AktG, published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette has been complied with since April 7, 2008 and continues to be complied with.

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.

5.4.1. No age limit has been fixed for members of the Board of Directors.

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 21, 2009

Dr. Peter Niggemann
Chairman of the Advisory Board

Dr. Christof Nesemeier
Chairman of the Managing Board

Corporate Governance Report

Stock Currently Held By Board Members

Managing Board	Number of held shares	Stake in %
MBB Capital Münster GmbH	2,687,000	40.712%
MBB Capital GmbH	2,000,000	30.303%

On December 31, 2008, MBB Capital Münster GmbH, Münster, held 40.712% of voting rights (2,687,000 votes). On December 31, 2008, MBB Capital GmbH, Berlin, held 30.303% of voting rights (2,000,000 votes). The shares of the two aforementioned companies are completely owned by MBB Capital Group GmbH, Münster, as a result of which the latter indirectly holds 71.015% of voting rights (4,687,000 votes). The shares in the MBB Capital Group GmbH are in turn held 50% each by Mr. Gert-Maria Freimuth and Dr. Christof Nesemeier, with the result that they are together indirectly entitled to 71.015% of voting rights (4,687,000 votes).

Board of Directors	Number of held shares	Stake in %
Dacapo Zweite Unternehmensberatung GmbH	30,000	0.455%
Dr. Matthias Rumpelhardt	2,000	0.030%

Dr. Matthias Rumpelhardt is proprietor and Chief Executive Officer of Dacapo Zweite Unternehmensberatung GmbH.

Transactions by board members of MBB Industries AG subject to notification since being listed in Prime Standard (June 20, 2008)

Dr. Matthias Rumpelhardt	10.11.2008
Purchase	2,000 Shares
Buying rate	€5.50
Total volume	**€11,000.00**

Remuneration of the Managing Board

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. Furthermore, D&O insurance without a deductible has been concluded for the Managing Board. Each member of the management board also has a company car for business purposes. No other payments have been agreed (e.g. paid sick leave, pension entitlements, direct commitments or severance payments).

In the fiscal year 2008, the fixed remunerations were as follows:

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

- Gert-Maria Freimuth, CIO
  counterparty to MBB Capital GmbH, € 216,00.00

The board members also personally received supervisory board remuneration from Delignit AG for 2008 of € 20,000 and € 15,000 respectively.

MBB AG's management received variable remuneration of 9.0% of the amount of consolidated profit after tax and minority interests exceeding €6.6m and falling short of €19.8m in fiscal year 2008. Moreover, the total variable remuneration of the management together with the comparable variable remuneration for the Board of Directors may not be more than 25% of the annual surplus of MBB Industries AG, irrespective of these thresholds. 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 consolidated profit after tax and minority interests for the fiscal year 2008 is € 8,028,978.12. Accordingly, the Managing Board and management are together entitled to a variable remuneration of 9% of € 1,428,978.12. This amounts to €128,608.03. Based on this, the Board of Directors laid down the following variable remuneration for the Managing Board on April 21, 2009:

- Dr. Christof Nesemeier, CEO
  counterparty to MBB Capital GmbH, € 24,435.53,
- Gert-Maria Freimuth, CIO
  counterparty to MBB Capital GmbH, € 24,435.53.

Remuneration of the Board of Directors

The members of the Board of Directors receive a per-meeting fee of €1000. 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. Furthermore the expenses of the Board of Directors are reimbursed in return for receipts. The members of the Board of Directors received fixed a remuneration of €18,000 for the fiscal year 2008: The fixed remuneration is distributed among the members as follows

- Chairman, Dr. Peter Niggemann, € 8,000.00;
- Deputy chairman, Dr. Jan C. Heitmüller, € 6,000.00;
- Member, Dr. Matthias Rumpelhardt, € 4,000.00.

By resolution of the shareholder meeting held on June 30, 2008, members of the Board of Directors are also entitled to variable remuneration for the fiscal year 2008 of together 1.0% of the amount of consolidated profit after tax and minority interests exceeding € 6,600,000 and falling short of € 19,800,000. Moreover, the total variable remuneration of the Board of Directors together with the comparable variable remuneration for the Managing Board and senior management may not be more than 25% of the annual surplus of MBB Industries AG, irrespective of these thresholds. The distribution of the variable remuneration among the members of the Board of Directors by resolution of the shareholder meeting is as follows:

- Chairman, Dr. Peter Niggemann, 0.4%, corresponding to € 5,715.91;
- Deputy chairman, Dr. Jan C. Heitmüller, 0,3%, corresponding to € 4,286.93;
- Member, Dr. Matthias Rumpelhardt, 0,3%, corresponding to € 4,286.93.

The Board of Directors is therefore entitled to a total variable remuneration of € 14,289.77.

Financial Calendar

Quarterly Financial Report Q1:
May 29, 2009

Annual Meeting 2009:
June 30, 2009, 10:00 am
at the Ludwig-Erhard-Haus
Fasanenstraße 85, 10623 Berlin

Half-Year Financial Report 2009:
August 28, 2009

Quarterly Financial Report Q3:
November 27, 2009

End of the fiscal year:
December 31, 2009

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: Anne-Katrin Altmann (Layout)
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MBB Industries AG . Joachimstaler Straße 34 . 10719 Berlin, Germany . www.mbbindustries.com