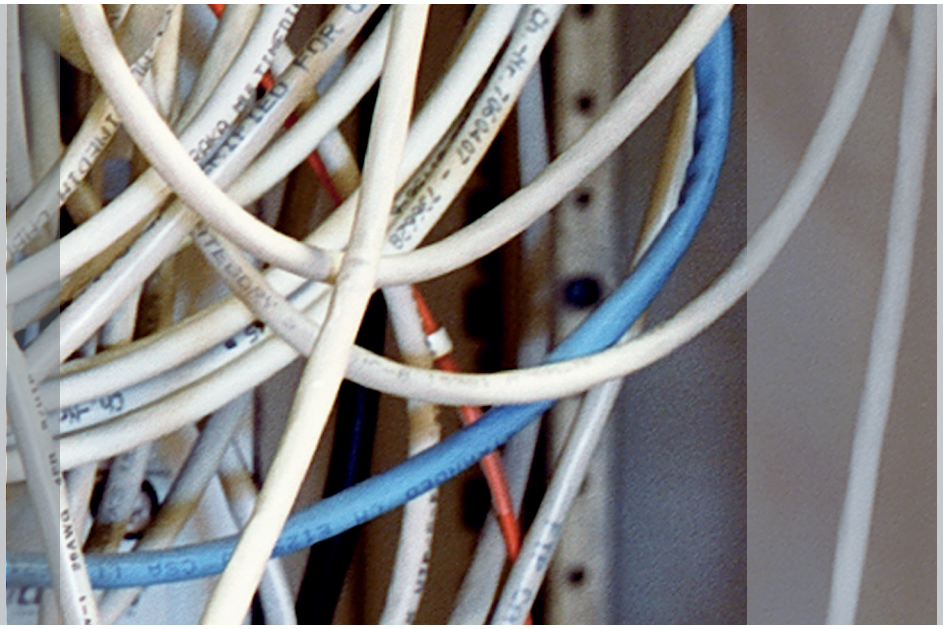
MBB Industries



Annual Report 2011

MBB Industries AG . Berlin

MBB Industries in figures

Fiscal year	2008	2009	2010	2011	Δ 2011 / 2010
	IFRS Continuing operations	IFRS Continuing operations	IFRS Continuing operations	IFRS Continuing operations	
Earnings figures	**€ thou**	**€ thou**	**€ thou**	**€ thou**	**%**
Revenue	**199,346**	**80,630**	**99,940**	**109,627**	**9.7**
Operating performance	200,632	80,406	100,066	109,761	9.7
Total performance	209,098	86,721	104,553	113,543	8.6
Cost of materials	-123,016	-56,027	-70,351	-71,406	1.5
Staff costs	-47,670	-15,867	-20,300	-23,536	15.9
EBITDA	19,544	7,930	-3,157	9,240	392.7
EBITDA margin	*9.8%*	*9.9%*	*-3.2%*	*8.4%*	*362.5*
EBIT	14,442	4,979	-7,015	5,673	180.9
EBIT margin	*7.2%*	*6.2%*	*-7.0%*	*5.2%*	*174.3*
EBT	11,793	4,045	-7,961	4,599	157.8
EBT margin	*5.9%*	*5.0%*	*-8.0%*	*4.2%*	*152.5*
Earnings from continuing operations		**3,667**	**-7,415**	**3,297**	144.5
Earnings from discontinued operations		-121	571	39	
Consolidated net profit after non-controlling interests	**8,029**	**3,546**	**-6,844**	**3,336**	148.7
Number of shares	6,600,000	6,600,000	6,600,000	6,600,000	
eps in €	1.22	0.54	-1.04	0.51	149.0
Dividend in € thou	1,650	3,300	2,178	2,841	30.4
Dividend per share in €	0.25	0.50	0.33	0,44*	33.3
Figures from the statement of financial position	**31 Dec. € thou**	**31 Dec. € thou**	**31 Dec. € thou**	**31 Dec. € thou**	**%**
Non-current assets	56,712	41,865	39,445	37,743	-4.3
Current assets	83,173	60,074	52,304	48,565	-7.1
Of which cash and equivalents**	25,085	35,314	33,147	30,278	-8.7
Issued capital (share capital)	6,600	6,600	6,600	6,600	0.0
Other equity	47,665	48,986	40,833	39,611	-3.0
Total equity	54,265	55,586	47,433	46,211	-2.6
Equity ratio	*38.8%*	*54.5%*	*51.7%*	*53.5%*	*3.5*
Non-current liabilities	27,314	22,157	22,632	21,987	-2.8
Current liabilities	58,306	24,196	21,684	18,110	-16.5
Total assets	**139,885**	**101,939**	**91,749**	**86,308**	-5.9
Net debt (-) or net cash (+) **	-981	10,725	14,846	13,654	-8.0
Employees	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**%**
	1,827	1,122	665	714	7.4

* Based on the number of shares in circulation at the publication date.

**This figure includes physical gold stocks.

Contents

Welcome Note from the Managing Board

Dear Shareholders,

We can look back on an extremely successful 2011 financial year – and forward to a promising 2012. In 2011, we generated a net profit of €3.3 million on the back of revenue of €110 million from continuing operations. Due to our healthy asset and cash position, we are distributing the majority of this profit to you in the form of a dividend of €2.8 million or €0.44 per share. This means that we are increasing our dividend by 33.3% in the sixth year since our IPO. We are also making investments with a view to continuing this development in 2012 with significant revenue and earnings growth at our companies and through the acquisition of CLAAS Fertigungstechnik.

Delignit returned to profitable growth in 2011 following its restructuring. The company has made steps into new markets such as rail transportation and the construction industry – a move that has since been rewarded with the first orders. Substantial and, above all, high-quality orders on hand and extraordinary investments in production technology will ensure that Delignit's success story continues in 2012.

DTS is systematically evolving into one of the most competitive cloud providers for German SMEs. In 2012, the company intends to be twice as large as when it was acquired by MBB in 2008, and it believes there is plenty of potential for further growth. The acquisition of eld datentechnik, extensive investments in our already extremely modern data centres in Herford and Münster and a new corporate structure centred around DTS IT AG were important measures taken in 2011 that will ensure revenue nd earnings growth in 2012.

In 2011 we increased our economic shareholding in Hanke Tissue by 20% to 97% and at the same time we separated us from our trading activities, by name Huchtemeier Papier GmbH. In the six years since its acquisition in 2006, we have worked with the management team to develop Hanke Tissue into a leading mid market manufacturer of branded products in Poland. This year, Hanke Tissue was voted as one of the best companies in its class by the Polish edition of Forbes for the second time. To ensure that this development continues, we initiated an investment of €8 million for Hanke in 2011 – the largest single investment in the history of MBB Industries.

The plastics processing company OBO marked its ninth year of membership of the MBB Group with revenue growth of more than 19%, not least thanks to its systematic development work. Meanwhile, CT Formpolster used its second year as a Group company to further optimise its operations, successfully placing a brand new product on the market with the launch of the Easy Climate mattress. All in all, this meant that the plastics processing companies also contributed to MBB's success despite the sharp rise in the cost of raw materials.

2012 began as dynamically as 2011 had ended. Our first step was to use our solid financial position to buy back 144,201 treasury shares, corresponding to 2.2% of our share capital. We also started the year with full order books. In March, we acquired the former CLAAS Fertigungstechnik GmbH, which will trade as MBB Fertigungstechnik GmbH in the future. With around 270 highly qualified employees at its Beelen site, the company generates profitable revenue of about €100 million. MBB Fertigungstechnik is a leading provider of welding and assembly systems for the automotive industry and other sectors. Having occupied a leading position on the market for the past decades, the company enjoys a large installed base and substantial growth potential that can now be leveraged.

MBB Fertigungstechnik will help us to break the €200 million barrier in 2012 and record further growth in 2013 accompanied by rising earnings. The purchase of MBB Fertigungstechnik was funded by MBB Industries' own resources, which are still available to a sufficient extent for further transactions of this nature. The acquisition shows that MBB is extremely competitive in a market for SME acquisitions that is currently characterised by intensive competition and high prices. As the latest acquisition in no way means that we are postponing our growth plans at the other portfolio companies, we see revenue in excess of €300 million by 2015 as an entirely realistic benchmark for medium-term planning. This should also increase the level of attention enjoyed by our dividend-bearing growth shares, thereby opening up the potential for a continuation of the recent upward share price trend.

These days, the foreword to an annual report cannot conclude without answering the following question: What happens if the crisis returns? In our case, this would make it less easy for us to report revenue and earnings growth – but we remain a reliable, diversified, family-owned company with a strong asset base, meaning that we would continue to prove our worth as an attractive investment even if the crisis were to flare up again. More than 1,000 employees have now signed up to our commitment to achieve great things over the coming years, hence continuing to increase the value of our Company. We are grateful for the Confidence in our work, expressed among other things by extending our Board contracts until 30 June 2015, and we would be delighted if you, our shareholders, would accompany us on this journey.

Yours faithfully

Dr. Christof Nesemeier Gert-Maria Freimuth

Report of the Supervisory Board

In the year under review, the Supervisory Board ensured that it was continuously informed about the business and strategic development of the Company in accordance with the tasks and responsibilities required of it by law and the Articles of Association, and monitored the Managing Board within the meaning of the German Corporate Governance Code. The Supervisory Board was informed about the business policy and planning of the Company, the risk situation and the net assets, financial position and results of operations of MBB Industries AG and the MBB Group at all times.

This took place in personal discussions between the Chairman of the Supervisory Board and the members of the Managing Board, through the regular information provided by the Managing Board on the course of business, and at the Supervisory Board meetings held on 4 April, 7 July, 23 September and 2 December 2011. With the exception of the absence of Dr. Peter Niggemann on 23 September 2011, all of the meetings were attended by all of the members of the Supervisory Board and Managing Board of the Company. At the individual meetings, the Supervisory Board analysed the Company's current business development together with the Managing Board and discussed its strategic focus. To the extent that individual transactions required the approval of the Supervisory Board under the provisions of law or the Articles of Association, the Supervisory Board examined these transactions and resolved whether to grant approval. Topics discussed included the economic situation of MBB Industries AG and the individual subsidiaries. The Supervisory Board and the Managing Board intensively discussed the development potential of the DTS Group, the acquisition of eld datentechnik GmbH, the disposal of Huchtemeier GmbH and the increase in the economic shareholding in Hanke Tissue Sp. z o.o. to 97%, as well as existing macroeconomic risks and the share buy-back programme. This meant that the Supervisory Board was involved in all major decisions.

The Supervisory Board meeting on 23 September was held at the premises of the subsidiary ICSmedia GmbH in Münster in order to allow the Supervisory Board to obtain a detailed insight into the business activities of this portfolio company.

The Supervisory Board also addressed the topics of corporate governance and the German Corporate Governance Code. In the year under review, the Supervisory Board and Managing Board took the measures required to ensure broad compliance with the Code. The small number of exceptions are presented in the declaration in accordance with section 161 of the German Stock Corporation Act (AktG), which was submitted by the Supervisory Board in conjunction with the Managing Board. This declaration is published as part of the Annual Report and on the Company's website at www.mbbindustries.com.

After the entire Supervisory Board was re-elected for a further five-year period on 7 July 2011, the Supervisory Board elected Dr. Peter Niggemann as its Chairman and Dr. Jan Heitmüller as its Deputy Chairman. Together with Dr. Matthias Rumpelhardt, the Supervisory Board consists of three members. The Supervisory Board considers this number to be adequate in light of the size of the Company. For this reason, as in the previous years, no committees were formed by the Supervisory Board in the 2011 financial year.

The Supervisory Board properly commissioned the auditor appointed by the Annual General Meeting, Verhülsdonk & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, with the audit of the single-entity and consolidated financial statements for the 2011 financial year. The auditor submitted a declaration of independence to the Supervisory Board in accordance with section 7.2.1 of the German Corporate Governance Code. This declaration confirms that there are no business, financial or other relationships between the auditor and its executive bodies and head auditors on the one hand, and the Company and the members of its executive bodies on the other hand, that could give rise to doubt as to its independence.

The annual financial statements of MBB Industries AG for the year ended 31 December 2011 and the joint management report for MBB Industries AG and the MBB Group prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements for the year ended 31 December 2011 prepared in accordance with the International Financial Reporting Standards (IFRS) were audited by the auditor elected by the Annual General Meeting and commissioned by the Chairman of the Supervisory Board, Verhülsdonk & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and issued with an unqualified audit opinion on 23 March 2012.

The report by the Managing Board of MBB Industries AG on relationships with dependent companies in accordance with section 312 AktG (dependent company report) was also audited by Verhülsdonk &

Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and issued with the following unqualified audit opinion on 23 March 2011:

"Our audit did not give rise to any objections against the report. We hereby issue the following audit opinion in accordance with section 313 (3) AktG:

Following the completion of our audit in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high or disadvantages were compensated, and
3. there are no circumstances that would justify a materially different opinion of the measures listed in the report than that held by the Managing Board."

The Supervisory Board examined the single-entity financial statements prepared by the Managing Board, the joint management report for MBB Industries AG and the Group, the proposal on the appropriation of net profit, the consolidated financial statements and the dependent company report in accordance with section 312 AktG and discussed them personally with the auditor at the meeting on 26 March 2012. All of the Supervisory Board's questions were answered in full by the auditor. The Supervisory Board received the audit report in good time and acknowledged and approved the findings of the audit. Following the completion of its examination, the Supervisory Board did not raise any objections to the single-entity financial statements, the management report, the dependent company report or the consolidated financial statements. The single-entity and consolidated financial statements were approved by the Supervisory Board on 26 March 2012, meaning that the annual financial statements of MBB Industries AG have been adopted.

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

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

Berlin, 26 March 2012

The Supervisory Board

Dr. Peter Niggemann
Chairman

Management Report and Group Management Report

MBB Industries AG (hereinafter also "MBB-AG") is a family-owned, medium-sized company that forms the MBB Industries Group (hereinafter also the "MBB Group") together with its portfolio companies. The single-entity financial statements of MBB-AG are prepared in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

Due to the disposal of the shares in Huchtemeier Papier GmbH in early 2011 and the majority disposal of the Romanian companies in 2010, the figures for 2011 and 2010 have been restated in accordance with IFRS 5 so as to present the Group without the companies sold ("discontinued operations").

In 2011, the MBB Group reported consolidated revenue of €109.6 million compared with €99.9 million in 2010. The MBB Group generated a consolidated net profit of €3.3 million from its portfolio companies in 2011 following a consolidated net loss of €6.8 million in the previous year due to restructuring effects at Delignit AG.

The MBB Group reported net cash (cash and short-term/long-term securities less liabilities to banks) of €13.7 million as of 31 December 2011; this figure includes physical gold holdings in the amount of €2.1 million. Despite the payment of a dividend and the net investments in the Group's portfolio, total liquidity including gold amounted to €30.3 million as of 31 December 2011.

In 2011, a dividend was distributed for the 2010 financial year in the amount of €2.2 million (€0.33 per share). The equity of the MBB Group fell to €46.2 million. The equity ratio amounted to 53.5%, up 1.8% on the previous year, as the lower level of equity was accompanied by a reduction in total assets.

For 2012, MBB is forecasting higher revenue and an improved operating result compared with 2011.

Business and economic conditions

Strategic orientation

MBB-AG is an industrial holding company with a focus on small and medium-sized enterprises (SMEs) in Germany. The Company specialises in the majority acquisition of industrial SMEs with revenue in excess of €10 million and significant potential for value appreciation. Unresolved succession issues, financing or earnings problems and planned disposals within the parent group represent ideal investment opportunities for MBB-AG.

The aim of each acquisition is to sustainably increase the value of the respective portfolio company. MBB-AG is not under pressure to sell its equity interests; rather, it welcomes the opportunity to generate sustainable income from its portfolio companies in the form of distributions and hence promote the long-term development of MBB-AG.

In addition to capital, MBB-AG provides its portfolio companies with access to excellent management expertise and a committed and highly qualified team and network. This serves to shape the success of the MBB companies and ensure a superior return on capital employed.

Market development

The Company primarily operates on the German market. Nevertheless, the Company has an international presence and experience thanks to its foreign portfolio companies and its global market activities. The extensive range of companies available for sale in Germany means that MBB-AG will continue to concentrate on this market in future.

The financial and economic crisis initially triggered an improvement in the conditions for the acquisition of companies by MBB-AG. In the meantime, the economic recovery and investment pressure that MBB considers to be liquidity-driven have led to rising prices and greater competition. Banks have also become increasingly willing to finance company acquisitions again. Together with low interest rates, this has improved the overall environment for such acquisitions; however, this also means heightened competition and rising prices.

In addition to developments on the market for the acquisition of SMEs, the MBB Group is dependent on the development of the markets in which its portfolio companies are active. The business activities of these small and medium-sized industrial companies recovered remarkably well from the economic and financial crisis in 2010.

Growth rates and forecasts have risen significantly, with revenue and earnings on the rise. These trends were clearly reflected at the companies in the MBB Group's diversified portfolio. Although signs of a sustained economic recovery are evidently growing, we consider the overall economic situation to be less stable than before the crisis.

The situation on the commodities markets is presenting significant challenges for the management of our portfolio companies. We are continuing to forecast a high level of volatility in these markets; in our case, this primarily relates to wood, cellulose and petrochemical raw materials. Price rises on the commodities markets have been abrupt in some cases and have occasionally been accompanied by shortages. Passing these developments onto customers is a considerable challenge that is subject to a certain time delay and often not achieved in full.

In the relevant sales markets for the MBB Group, we expect to see constant demand for polyurethane boards and tissue products, as well as a continued high level of demand in the automotive industry (and the commercial vehicle sector in particular). We also expect to see constant demand for the foam business of our portfolio company CT Formpolster, which we acquired at the start of 2010. All in all, we can say that portfolio diversification is protecting the MBB Group from turbulence in the individual markets, while positive developments on the sales markets are more than offsetting the rise in commodities prices. As a result, the MBB Group is benefiting significantly from the overall market development.

In addition, the extent and speed of exchange rate fluctuations between the euro and the currencies that are relevant for the MBB Group, namely the US dollar, the pound sterling and the Polish zloty, will remain unusually pronounced and will therefore continue to present significant challenges for the MBB Group's financial management in 2012.

The MBB Group counteracts developments on the financial markets with a conservative financing structure that is currently characterised by a net cash position and a high level of liquidity. This allows us to conduct company acquisitions independently at all times, as well as ensuring that we are largely shielded from the impact of expected interest rate rises. Excess liquidity is temporarily invested in demand deposits, short-term bonds with good credit ratings and physical gold, as well as equities in individual cases – but only when they meet the same criteria as MBB-AG applies to the acquisition of SMEs.

Market position

MBB-AG has been operating successfully in the SME investment market for more than 15 years. We can now offer references for almost every conceivable type of SME acquisition, ranging from former owners and group shareholders, management, employee representatives and unions through to banks and core customers and suppliers. Thanks to its experience, its network, its portfolio of companies and its stock exchange listing, MBB-AG is one of the leading investment companies for German industrial SMEs with revenue in excess of €10 million. This market position has improved further as public awareness of the Company has increased and was a key factor in the acquisition of CLAAS Fertigungstechnik GmbH in early 2012 – to date the largest such transaction in the Company's history.

Stock exchange listing

One element of the aforementioned strategic development was the IPO of MBB-AG in 2006 and its admission to the Prime Standard in 2008. The 73.5% stake in MBB-AG held by the Managing Board as of 31 December 2011, which was followed by the share buy-back discussed later in this management report, serves to ensure sustainable Company development with a medium-sized, entrepreneurial focus.

Portfolio companies

MBB-AG had a total of five active direct portfolio companies at the end of the 2011 financial year. As these portfolio companies themselves each have subsidiaries and sub-subsidiaries, the consolidated group as of 31 December 2011 consisted of MBB-AG and a total of 14 companies and 3 investments accounted for using the equity method.

The following section lists these companies according to their ownership structure, including the respective equity interest and the type of consolidation:

- Delignit AG (76,08%)
  - Hausmann Verwaltung GmbH (100%)
  - Blomberger Holzindustrie B. Hausmann GmbH & Co. KG (100%)
    - S.C. Cildro Plywood Srl. (49% - at equity)
  - S.C. Cildro S.A. (42,9% at equity)
    - S.C. Cildro Service Srl. (100% - at equity)
- Hanke Tissue Sp. z o.o. (100%)
- CT Formpolster GmbH (100%)
- OBO Modulan GmbH (100%)
  - OBO-Werke Verwaltungsgesellschaft mbH (100%)
  - OBO-Werke GmbH & Co KG (100%)
    - OBO-Industrieanlagen GmbH (100%)
- DTS IT AG (80%)
  - DTS Systeme GmbH (100%)
  - ICSMedia GmbH (100%)
  - eld datentechnik GmbH (100%)
    - DTS Beteiligungen Verwaltungs GmbH (100%)

With economic effect from 1 January 2011, MBB Industries AG sold its interest in Huchtemeier Verwaltung GmbH and hence its 80% share in Huchtemeier Papier GmbH.

DTS IT AG, Herford, was formed by way of a notarised agreement dated 1 March 2011. It was entered in the commercial register on 4 March 2011. The object of the company is the management of its own assets, including in particular forming and acquiring, investing in, managing and selling companies in Germany and abroad, particularly in the field of information technology. 80% of the shares are held by MBB Industries AG. On 5 April 2011, DTS Systeme GmbH and ICSmedia GmbH were regrouped from DTS Beteiligungen GmbH & Co. KG under DTS IT AG.

On 7 July 2011, DTS IT AG acquired Jade 1061. GmbH from MBB Industries AG. With economic effect from 1 October 2011, DTS IT AG acquired the business activities of eld datentechnik GmbH, Fellbach, from the Löffelhardt Group via Jade 1061. GmbH as part of an asset deal; Jade 1061. GmbH was subsequently renamed eld datentechnik GmbH.

Segments

The individual segments in which MBB Group companies are active have different focal points in terms of their business activities. These are described in brief in the following section. Detailed information on the individual portfolio companies is not published in order to prevent the possibility of adverse effects on their business activities.

The following segments are reported:

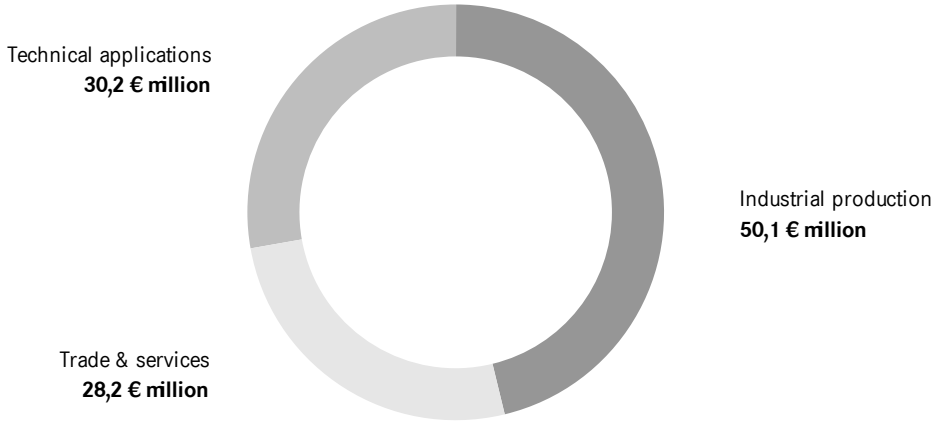
Technical Applications

This segment contains those portfolio companies whose business model reflects customer-specific requirements to a large extent and where the expertise and consulting sold along with the product constitute a significant portion of the work performed. Only the Delignit Group companies are currently allocated to this segment.

Delignit is focused on the attractive fields of automotive and technological applications. The Delignit Group develops, produces and markets ecological products based on the natural, sustainable and carbon-neutral raw material of wood. As a development, project and series supplier for technology industries such as the automotive and aviation sectors, the Delignit Group's business activities focus on the development and implementation of technological and customer-specific applications and systems. The basis for this is the Delignit material, which is made mostly of beech wood. In contrast to many other raw materials, wood is lifecycle carbon-neutral, making it ecologically superior to other materials. This means that using Delignit as a substitute for applications involving non-renewable raw materials serves to improve the environmental impact of customers' products and meet their increasingly stringent ecological requirements.

The predecessor to the current Delignit Group was formed more than 200 years ago and was family-owned until the investment by MBB-AG in 2003.

In the 2011 financial year, Delignit's activities with wood-based materials accounted for 27.5% of the MBB Group's revenue compared with 25.1% in the previous year. The restructuring in 2010 and the recovery of the market meant that the Delignit Group's external revenue increased from €25.1 million in the previous year to €30.2 million in 2011.



Revenue-distribution by segment 2011 in € million

Industrial Production

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

OBO is a global provider of polyurethane boards for the construction of models, moulds and tools. The company has been part of the MBB Group since 2003. Its key customers include car manufacturers. In 2011, the portfolio company contributed 9.0% to the MBB Group's total revenue (2010: 8.2%). External revenue amounted to €9.8 million in the 2011 financial year, up 19.5% on the previous year (2010: €8.2 million).

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. The "aha" brand enjoys a strong competitive position in the Eastern European consumer goods market. Hanke also produces white and coloured tissue paper for various private labels in Europe. These activities are concentrated around the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired in 2006.

Since being acquired by MBB-AG, Hanke has made substantial investments in its machinery and buildings, allowing it to record continuous growth and expand its market position to become the most profitable company in the MBB Group. This expansion will continue over the coming years in the form of an investment programme with a volume of €8 million that was approved in summer 2011.

With external revenue of €21.8 million (2010: €20.1 million), Hanke accounted for 19.9% (2010: 18.1%) of the Group's total revenue.

CT Formpolster GmbH manufactures polyether foams. The company's service portfolio extends from material and product development and production through to order picking and JIT delivery. In addition to standard foams, the product range includes highly elastic, flame-retardant, anti-static and heavily dyed variants. CT Formpolster GmbH's products are used as mattress and seating cores in the furniture, caravan, office and mattress retail sectors in particular.

With external revenue of €18.4 million (2010: €22.4 million), CT Formpolster accounted for 16.7% (2010: 19.3%) of the Group's total revenue.

Trade & Services

Trade & Services combines the portfolio companies in the MBB portfolio that provide specialist services to their customers or engage in retail business without production activities of their own. This segment contains the DTS Group and also included the Huchtemeier companies until their disposal.

The DTS Group is a leading cloud computer provider for German SMEs. Own data centers allows it to provide a broad range of services across all levels of the cloud. Its business model encompasses the consulting, design, procurement, implementation and operation of IT environments, preferably at its data centers. Traditional systems house services are combined with the leasing of floor space, hardware and storage, database and operating system platforms and application leasing in areas such as IT security, office communications and archiving.

Formed in 1983, DTS Systeme GmbH was part of a regional group until its acquisition by MBB-AG and is headquartered in Herford with additional offices in Bochum, Bremen, Darmstadt and Hanover.

ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH is a regional provider of IT systems solutions and also has its own data centre. In addition to housing, hosting and Internet provision, ICSmedia GmbH works in close cooperation with DTS Systeme GmbH to offer high-quality IT consulting services and superlative, state-of-the-art cloud computing solutions.

Since October 2011 eld datentechnik GmbH, Fellbach, has been part of the DTS Group. A distributor for IT infrastructure systems, eld datentechnik operates throughout Germany and is specialised in IP access and storage technology, as well as providing IT training and consulting services. This means that eld datentechnik GmbH provides vertical expansion for the service range of the other DTS subsidiaries.

In 2011, the DTS Group contributed €28.2 million to the MBB Group's revenue (2010: €20.9 million), corresponding to a share of 25.6% (2010: 18.0%).

Employees

MBB-AG had a total of six employees in 2011; this figure includes the Managing Board. While the members of management have service agreements with MBB-AG, the Company also had one salaried employee in the area of office management and one in Group accounting in 2011.

The aim of the management of MBB-AG is to ensure the sustainable performance of the MBB Group. The four-man management team has worked together for more than 15 years and held 75.5% of the share capital of MBB-AG cumulatively as of 31 December 2011. Appropriate fixed remuneration is supplemented by performance-based variable components each with an upper limit. There are no severance or pension agreements.

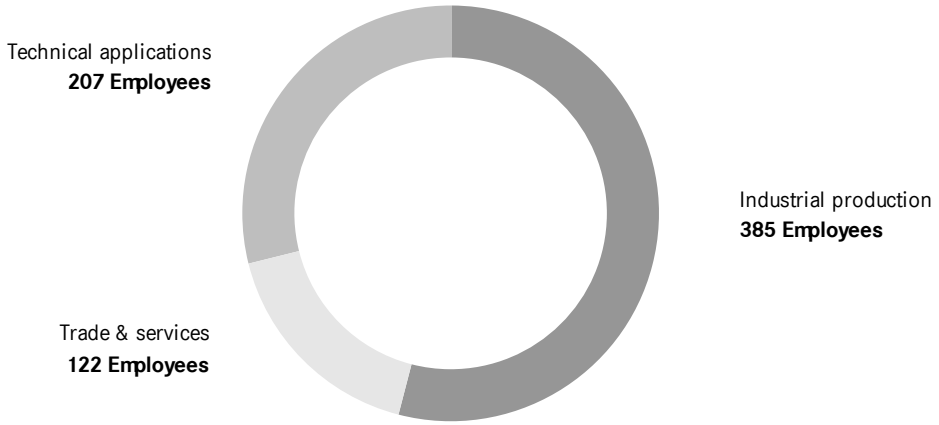
In the 2011 financial year, the MBB Group had an average of 700 employees in its continuing operations, compared with an average of 658 in the previous year.

As of 31 December 2011 (2010), the MBB Group had a total of 714 employees (previous year: 665) in the following segments:

- Technical Applications: 207 employees (previous year: 178)
- Industrial Production: 385 employees (previous year: 383)
- Trade & Services: 122 employees (previous year: 104)

The number of employees by country as of 31 December 2011 (2010) was as follows:

- 459 employees in Germany (previous year: 425)
- 255 employees in Poland (previous year: 240)



Headcount by segment as at 31 Dec. 2011

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

The number of employees at the companies forming part of the Group in 2011 will increase in the 2012 financial year due to the growing business volume, although developments may vary across the individual portfolio companies due to capacity considerations. The Group's workforce will also expand to include the approximately 270 employees of the former CLAAS Fertigungstechnik GmbH (in future: MBB Fertigungstechnik GmbH).

Net assets, financial position and results of operations

MBB-AG and the MBB Group can look back on a successful 2011 financial year. The MBB Group enjoyed profitable development in 2011. The business activities of the Group companies improved, while orders on hand and incoming orders look set to continue this positive performance in the 2012 financial year, thereby creating strong foundations for revenue growth in 2012.

The continued high level of cash and cash equivalents serves to boost the attractiveness of MBB's business model and will allow future acquisitions to be conducted independently and without the need for external finance even following the acquisition of CLAAS Fertigungstechnik GmbH. The steady value appreciation over recent years – which is reflected, among other things, in the development of equity from €15.5 million in 2005 to €46.2 million in 2011 and the turnaround from net debt of €13.8 million in 2005 to net cash of €13.7 million in 2011 – underlines the attractiveness of our business model and the high quality of our investments. This means that the MBB Group can be expected to continue to make new acquisitions with a view to achieving value growth.The following section discusses MBB-AG and the MBB Group in greater detail.

MBB-AG

MBB-AG generated revenue of €0.5 million from charging management services to Group companies in 2011 (previous year: €0.6 million). In addition to revenue with third parties and other operating income, this resulted in total operating revenue of €2.7 million (previous year: €2.2 million).

This was offset by expenses for purchased services in the amount of €0.9 million (previous year: €0.9 million), which related to the remuneration paid to the management of MBB-AG.

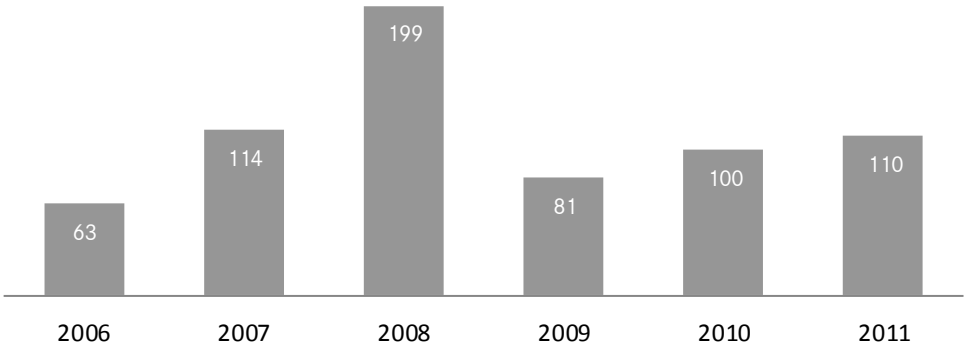
After staff costs and overheads, EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to €0.5 million (previous year: €0.2 million).

MBB-AG also generated investment income of €0.8 million, income from securities in the amount of €0.2 million, and interest and other income totalling €0.6 million. After depreciation and amortisation expense of €0.4 million, interest expense of €0.1 million and taxes of €0.5 million, this resulted in a net profit for the year of €1.1 million (previous year: €1.2 million).

As in the previous years, a dividend was distributed in the 2011 financial year. This amounted to €0.33 per share or €2.2 million in total. As a result, the equity of MBB-AG declined to €39.5 million at year-end (previous year: €40.5 million), while the equity ratio remained consistently high at 86.8%. Including investment securities and physical gold holdings, MBB-AG had cash and cash equivalents of €25.3 million at the end of the year under review (previous year: €28.4 million). Net cash and cash equivalents fell to €21.4 million (previous year: €24.6 million). Unrealised gains on physical gold holdings and securities are not included in this presentation of the financial position and results of operations.

MBB Group

The consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) as required to be applied in the European Union.



Development of group revenue continuing operations (in € million at year end)

The consolidated revenue of the MBB Group from continuing operations amounted to €109.6 million in the 2011 financial year after €99.9 million in the previous year. At the same time, total operating revenue increased from €104.6 million in 2010 to €113.5 million in 2011. Other operating income in the amount of €3.3 million includes income from the reversal of provisions, income from deconsolidation, income from the sale of shares and other income.

The ratio of the cost of materials to total operating revenue declined from 70.3% to 65.1% as a result of the change in the real net output ratio. By contrast, staff costs amounted to 21.4% of total operating revenue in 2011 after 20.3% in 2010. This was due to the increase in the number of employees at production companies and staff-intensive services in the Trade & Services segment.

EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to €9.2 million, up significantly on the prior-year figure of €-3.2 million. Depreciation and amortisation was down slightly year-on-year at €3.6 million (previous year: €3.9 million). In 2011, investments in property, plant and equipment totalled €2.8 million after €3.9 million in the previous year.

The MBB Group reported EBIT (earnings before interest and taxes) of €5.7 million in the past financial year, up significantly on the prior-year figure of €-7.0 million.

Adjusted for a financial result of €-1.1 million, EBT (earnings before taxes) amounted to €4.6 million (previous year: €-8.0 million) and 4.2% (previous year: 8.0%) of total operating revenue.

Income tax (before deferred taxes) amounted to €0.8 million, while other taxes totalled €0.1 million.

The consolidated net profit after minority interests in the amount of €3.3 million (for continuing operations) was also up on the consolidated net loss of €7.4 million in the previous year. Including the net profit from discontinued operations, this resulted in a consolidated net profit of €3.3 million compared with a consolidated net loss of €6.8 million in the previous year.

This contributed towards the equity of €46.2 million reported in the consolidated balance sheet as of 31 December 2011 (previous year: €47.4 million), meaning that the MBB Group had an equity ratio of 53.5% based on total assets of €86.3 million (previous year: 51.7%). The Managing Board is of the opinion that the MBB Group continues to enjoy a solid equity base.

As of 31 December 2011, the MBB Group had financial liabilities (excluding finance leases) amounting to €16.6 million (previous year: €18.3 million) and cash, short-term/long-term securities and physical gold (€2.1 million) totalling €30.3 million (previous year: €33.1 million). Net cash and cash equivalents (cash, short-term/long-term securities and physical gold less liabilities to banks) declined slightly to €13.7 million after €14.8 million in the previous year. Despite the dividend payment of €2.2 million, investments in non-current assets and the acquisition of new portfolio companies and the expansion of existing portfolio companies, this development was made possible by the Group's strong operating cash flow. In the opinion of the Managing Board, this means that the MBB Group currently has adequate scope in terms of financing its business activities.

Hedging

Intragroup transactions are usually conducted in euro. As the portfolio companies are independently responsible for hedging any extraordinary foreign-currency items, there have been no significant unhedged items at Group level to date. As such, the MBB Group has not yet been required to perform active exchange rate hedging at Group level. However, monitoring at Group level serves to ensure that timely hedging is performed as necessary.

Remuneration report

The remuneration of the Managing Board is composed of a fixed and a variable component. The members of the Managing Board are also reimbursed for documented expenses. D&O insurance with no deductible and accident insurance have been concluded. No additional benefits (e.g. retirement benefits, direct benefits, severance payments) have been agreed. Similarly, there are no agreements governing the early or regular termination of a member's Managing Board mandate in the event of a change of control at the Company.

For the 2011 financial year, the management of MBB-AG is entitled to variable remuneration totalling 9.0% of the amount by which the equity of MBB-AG at the end of the financial year (final value) exceeds the equity at the start of the financial year (initial value). For the purpose of this bonus system, equity comprises the items set out in section 266 (3A) HGB. The calculation of the initial value and final value is based on the latest audited annual financial statements with the following modifications:

Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions and repayments of equity are added to the final value, while contributions to equity are deducted. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members of the Managing Board shall not be entitled to receive further variable remuneration until these negative amounts have been eliminated.

The bonus payable to the members of the Managing Board is limited to 5% of the aforementioned final value. Any amount in excess of this 5% limit is carried forward to the next financial year and either distributed, carried forward again if the 5% limit is exceeded once more, or offset against corresponding losses.

The members of the Supervisory Board receive a meeting attendance fee. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman of the Supervisory Board receives one and a half times this amount plus the reimbursement of any expenses. D&O insurance with no deductible has also been concluded for the members of the Supervisory Board. In accordance with a resolution by the Annual General Meeting on 30 June 2010, the Supervisory Board has also received variable remuneration totalling 1% of the aforementioned increase in equity since the 2010 financial year. The total of the variable remuneration and the attendance fees for all Supervisory Board members may not exceed €100,000.00 per full financial year.

The aforementioned commitments to pay variable remuneration to the members of the Managing Board and the Supervisory Board resulted in a claim for variable remuneration for 2011. A breakdown of the remuneration paid to the Managing Board and the Supervisory Board can be found in the notes to the consolidated financial statements.

Report on opportunities

In the opinion of the Managing Board, the MBB Group has the following opportunities for the future:

- A significant increase in the number of SMEs available for sale in the wake of the financial and economic crisis offers opportunities for acquisitions that will add value to the Company.
- Investing in and reorganising small and medium-sized industrial companies allows above-average returns to be generated if successful.
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, borrower or business partner and will boost MBB's importance as a holding company for industrial SMEs in Germany.
- The experience and network of the current management team offers a strong starting position for the continued growth of the MBB Group.
- The diversification of the MBB Group will cushion the potential impact to the Group as a whole as a result of changes in the demand situation in individual markets, e.g. the automotive market.

Risk report

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

- The optimisation of individual portfolio companies could be unsuccessful or individual portfolio companies could be particularly hard hit by an economic crisis.
- The refinancing of individual portfolio companies or new acquisitions could be unsuccessful.
- A further sustained economic downturn could lead to falling revenue and/or earnings at MBB-AG's existing portfolio companies.
- The international focus of MBB-AG's activities could lead to investments in portfolio companies in territories that are exposed to country-specific risks.
- Despite comprehensive risk management, the Group companies are exposed to the general risks associated with their business activities. For example, the manufacturing companies within the Group in particular could be liable for warranty cases, environmental pollution or production downtime.
- MBB-AG could be exposed to risks arising from purchase agreement warranties, while its portfolio companies could be exposed to product liability or other statutory liability risks.

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

The MBB Group has established a risk management system to address the aforementioned risks. Measures are initiated at an early stage in order to prevent the Company from being disadvantaged. This system includes:

- Integrated portfolio company controlling that uses daily controlling (DAC) and monthly business controlling (BUC) to continuously compare target, actual and forecast data at the level of the portfolio companies and MBB-AG.
- Project controlling (PUC), which defines, develops and tracks the implementation of optimisation measures within the Group and at each individual company.
- Regular management meetings within MBB-AG (MIC) and with the management of the respective portfolio companies (RAP).
- A structured mergers and acquisitions tool that is used to organise the acquisition process and test it for success (MAC) and the continuous expansion of the MBB network.
- Central Group monitoring (LOC) of material contractual risks and legal disputes by the management and qualified law firms as necessary.

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

Declaration on corporate governance

In accordance with section 289a HGB, MBB Industries AG is required to publish a declaration on corporate governance.

This declaration on corporate governance must include:

1. the declaration in accordance with section 161 of the German Stock Corporation Act (AktG);
2. relevant information on corporate governance practices going beyond the statutory requirements and details of where they are publicly accessible;
3. a description of the procedures of the Managing Board and the Supervisory Board and the composition and procedures of their committees; if this information is publicly available on the Company's website, reference may be made to this fact.

Re 1: Declaration in accordance with section 161 AktG

On 26 March 2012, the Managing Board and Supervisory Board submitted the latest declaration of conformity in accordance with section 161 AktG as of the date on which this management report was prepared. It reads as follows:

"The Managing Board and Supervisory Board of MBB Industries AG submitted the last declaration of conformity in accordance with section 161 AktG on 15 March 2011. The following declaration updates this declaration of conformity and, as previously, relates to the German Corporate Governance Code (hereinafter also the "Code") in the version dated 26 May 2010.

The Managing Board and Supervisory Board of MBB Industries AG hereby confirm that they have complied with and continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code with the following exceptions:

- *Section 3.8: D&O insurance: The D&O insurance policy for the members of the Managing Board and the Supervisory Board does not provide for a deductible. We are confident that our executive bodies and employees exercise their duties with the greatest care and diligence. A deductible for the Managing Board will be introduced after the current contracts expire on 1 July 2012. In light of the level of the fixed remuneration paid to the members of the Supervisory Board, we do not consider a deductible for the Supervisory Board to be appropriate.*

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

Re 2: Information on corporate governance practices

The Managing Board of MBB-AG complies with the applicable laws. There are no codified and publicly accessible corporate governance practices above and beyond these requirements. The Managing Board will examine the extent to which the future codification and publication of Group-wide regulations might be useful and reasonable.

Re 3: Procedures of the Managing Board and Supervisory Board

As a stock corporation under German law, the Company has a dual management and control structure.

The members of the Managing Board are appointed by the Supervisory Board and are responsible for managing the Group. The responsibilities of the Managing Board are allocated as follows: The Chairman of the Managing Board, Dr. Christof Nesemeier, is responsible for Strategy, Portfolio Company Management, Investor Relations and Finance. The Deputy Chairman of the Managing Board, Gert-Maria Freimuth, is responsible for Mergers & Acquisitions, IT, Legal, and Corporate Identity. The members of the Managing Board are each appointed until 30 June 2012. Two further members of the management team are responsible for the areas of Finance and IT and Processes.

The Supervisory Board of MBB-AG consists of Dr. Peter Niggemann (Chairman), Dr. Jan C. Heitmüller (Deputy Chairman) and Dr. Matthias Rumpelhardt. The Supervisory Board in its current composition was re-elected by the Annual General Meeting on 7 July 2011 until the end of the Ordinary General Meeting resolving the approval of the actions of the members of the Supervisory Board for the fourth financial year after the start of their term of office; this means that new elections to the Supervisory Board will be held at the Annual General Meeting in 2016. The MBB Group does not have a right of co-determination, meaning that all of the members of the Supervisory Board are shareholder representatives. The Supervisory Board advises the Managing Board and monitors its management of the Group.

The individual portfolio companies each have independent operational management teams, some of which hold shares in the portfolio companies; however, MBB-AG strives to ensure that its equity interest in each portfolio company does not fall below 75.1% where possible. The management teams of MBB-AG and the portfolio companies work in close cooperation on the development of the respective companies.

In light of the number of members of each body, neither the Managing Board nor the Supervisory Board formed any committees in the year under review.

Disclosures in accordance with sections 289 (4) and 315 (4) HGB

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

Composition of subscribed capital

The share capital reported in the balance sheet as of 31 December 2011 in the amount of €6,600,000.00 consists of 6,600,000 no-par value bearer shares and is fully paid-in. Each share grants the bearer one vote at the Annual General Meeting.

Restrictions on voting rights and the transfer of shares

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

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

MBB Capital Management GmbH, Berlin, held 36.75% of the voting rights as of 31 December 2011 (2,425,500 voting rights). MBB Capital GmbH, Münster, held 36.75% of the voting rights as of 31 December 2011 (2,425,500 voting rights). The shares in both of the aforementioned companies are wholly owned by MBB Capital Group GmbH, Münster, meaning that this company indirectly held 73.50% of the voting rights (4,851,000 voting rights). Gert-Maria Freimuth and Dr. Christof Nesemeier each hold 50% of the shares in MBB Capital Group GmbH, meaning that they held 73.50% of the voting rights jointly and indirectly (4,851,000 voting rights).

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

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

There are no corresponding employee participation schemes.

Statutory provisions and Articles of Association on the appointment and dismissal of members of the Managing Board and on amendments to the Articles of Association

Members of the Managing Board are appointed and dismissed in accordance with sections 84 f. AktG. Article 6 of the Articles of Association governs the appointment and dismissal of members of the Managing Board as follows: "The Managing Board consists of one or more persons. The Supervisory Board is responsible for determining the number of members of the Managing Board and for their appointment, the conclusion of their employment contracts and the revocation of their appointment. If the Managing Board consists of more than one person, the Supervisory Board may appoint a member of the Managing Board as the Chairman or Spokesman and another member of the Managing Board as the Deputy Chairman or Deputy Spokesman."

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

Article 11 (2) of the Articles of Association also states: "The Supervisory Board is authorised to make amendments to the Articles of Association that relate solely to their wording. In particular, the Supervisory Board is authorised to amend the wording of the Articles of Association in the event of the full or partial implementation of an increase in the share capital from Authorised Capital I (Article 4 (4) of the Articles of the Association) or after the expiry of the authorisation period in order to reflect the extent to which any capital increase from Authorised Capital I has been implemented."

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

The Annual General Meeting on 30 June 2010 authorised the Managing Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions up to and including 29 June 2015 by a total of up to €3,300,000.00 in exchange for cash and/or non-cash contributions by issuing new no-par value bearer shares (Authorised Capital 2010). The Managing Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' statutory subscription rights in the following cases:

- to eliminate fractions,
- if a cash capital increase is implemented, the proportionate amount of the share capital attributable to the new shares for which shareholders' subscription rights are excluded does not exceed 10% of the share capital at the date on which the new shares are issued, and the issue price of the new shares is not significantly lower than the quoted price for the listed shares of the same class and with the same conditions at the date on which the final issue price is fixed by the Managing Board within the meaning of sections 203 (1) and (2) and 186 (3) sentence 4 AktG; this upper limit for the disapplication of shareholders' subscription rights shall include the proportionate interest in the share capital of any shares already issued from Authorised Capital 2010 since 1 July 2010 or that have been available for subscription under the terms of options or conversion rights issued since 1 July 2010 or conversion obligations substantiated since that date, to the extent that shareholders' subscription rights were disapplied in accordance with or within the meaning of section 186 (3) sentence 4 AktG when the relevant authorised capital was utilised or the relevant convertible bonds and/or bonds with warrants were issued; the upper limit shall also include the proportionate interest in the share capital attributable to treasury shares purchased by the Company on the basis of an authorisation in accordance with section 71 (1) no. 8 AktG since 1 July 2010 and sold to third parties in exchange for cash without the granting of shareholders' subscription rights, unless the shares were sold via the stock exchange or under the terms of a public offering to shareholders;

- where it is necessary to grant shareholders' subscription rights to the holders of options or conversion rights arising from convertible bonds or bonds with warrants such as they would be entitled to as shareholders after exercising their options or conversion rights or conversion obligations; and
- in the case of a non-cash capital increase, to grant shares for the purpose of acquiring companies, parts of companies or equity interests in companies.

The Managing Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of capital increases from Authorised Capital 2010.

In addition, the Annual General Meeting on 30 June 2010 authorised the Company to purchase and sell treasury shares representing up to 10% of the share capital in accordance with section 71 (1) no. 8 AktG in the period from 1 July 2010 to 29 June 2015. This amount includes the notional interest in the share capital attributable to shares issued from authorised capital after 1 July 2010 with shareholders' subscription rights disapplied in accordance with section 186 (3) sentence 4 AktG or that have been available for subscription under the terms of options or conversion rights or obligations arising from convertible bonds and/or bonds with warrants since that date, to the extent that shareholders' subscription rights were disapplied in accordance with section 186 (3) sentence 4 AktG when the relevant instruments were issued.

This authorisation may be exercised in part or in full, on one or more occasions until the upper limit is reached, and for one or more purposes. It may not be exercised for the purpose of trading in treasury shares.

The treasury shares must be purchased via the stock exchange. The purchase price for one share may not exceed or fall below the share price of the Company in the opening auction in Xetra trading (or a comparable successor system of the Frankfurt Stock Exchange) on the purchase date by more than 10%.

The Managing Board is authorised, with the approval of the Supervisory Board, to offer the treasury shares purchased in accordance with the above authorisation to third parties, either in part or in full, in order to acquire companies and/or equity interests in companies with the shareholders' subscription rights relating to these treasury shares disapplied and/or to withdraw the purchased shares, either in part or in full, without this requiring a separate resolution by the Annual General Meeting. The price at which the shares are sold to third parties may not exceed or fall below the average share price of the Company in the midday auction in Xetra trading (or a comparable successor system of the Frankfurt Stock Exchange) on the three trading days prior to the acquisition of the company or equity interest by more than 5%.

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

There are no such agreements.

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

There are no such compensation agreements.

Report on post-balance sheet date events

On 11 January 2012, MBB Industries AG resolved to utilise the authorisation granted by the Annual General Meeting on 30 June 2010 to purchase treasury shares in accordance with section 71 (1) no. 8 AktG. As part of a share buy-back programme running from 12 January 2012 to 10 February 2012, MBB Industries AG purchased 144,201 treasury shares, corresponding to 2.18% of the share capital, on the stock exchange via a bank at an average price of €6.9347, giving a total purchase price of €999,996.67.

In accordance with section 71b AktG, the Company has no rights arising from treasury shares, and in particular no dividend or voting rights, meaning that the number of shares with actual voting and dividend rights has decreased to 6,455,799. In accordance with section 21 ff. of the German Securities Trading Act (WpHG), the treasury shares held by the Company are allocable to the majority shareholder. MBB Capital Group GmbH, Gert-Maria Freimuth and Dr. Christof Nesemeier therefore informed the Company on 13 February 2012 that, including these treasury shares, they now each held 75.68% of the voting rights.

On 9 March 2012, MBB Industries AG acquired all of the shares of CLAAS Fertigungstechnik GmbH, Beelen, from CLAAS KGaA mbH. The legal transfer is scheduled for the second quarter of 2012 once the condition precedent no longer applies. CLAAS Fertigungstechnik GmbH is a leading international plant engineering company with a focus on production technology for the automotive industry and other sectors. The company, which has around 270 employees and generated revenue of around €100 million in 2011, will trade as MBB Fertigungstechnik GmbH in future.

Report on expected developments

We see our results for the 2011 financial year as providing solid foundations for the future development of the MBB Group. Providing that the economy continues on its current path, the Managing Board is forecasting rising revenue in its existing investment portfolio and positive earnings on the whole in the 2012 and 2013 financial years. The new portfolio company CLAAS Fertigungstechnik GmbH (in future: MBB Fertigungstechnik GmbH) will help to increase consolidated revenue to significantly in excess of €200 million as well as further improving the Group's profitability. Accordingly, the MBB Group is set to record substantial growth in 2012 and 2013.

Even following the acquisition of CLAAS Fertigungstechnik GmbH (in future: MBB Fertigungstechnik GmbH), the Managing Board considers the Group's equity and liquidity situation to be important factors in allowing it to grow in the current market environment, both organically and by acquiring new portfolio companies, while ensuring that it is in a position to act at all times even in the event of new global crises.

Summary of the dependent company report in accordance with section 312 AktG

In the case of the transactions and measures contained in the dependent company report, the Company received appropriate consideration for each transaction and was not disadvantaged by the implementation or omission of any measures on the basis of the circumstances known to us at the time the transactions were executed or the measures were implemented or omitted.

Berlin, 26 March 2012

Dr. Christof Nesemeier
Chairman of the Managing Board

Gert-Maria Freimuth
Member of the Managing Board

MBB Industries AG Abridged Annual Financial Statements for 2011

Income statement (HGB)	2011 € thou	2010 € thou
Revenue	1,685	1,843
Other operating income	1,012	361
Cost of purchased services	891	928
Staff costs	184	332
Depreciation and amortisation of intangible assets and property, plant and equipment	33	26
Other operating expenses	1,168	739
Income from equity investments	843	820
Income from other securities and loans of financial assets	205	165
Other interest and similar income	624	328
Write-downs on financial assets and current securities	197	101
Interest and similar expenses	132	110
Profit from ordinary activities	**1,593**	**1,281**
Income tax expense	397	115
Other taxes	48	9
Net profit for the year	**1,148**	**1,157**
Profit carried forward from the previous year	15,717	16,738
Unappropriated surplus	**16,865**	**17,895**

Appropriation of earnings

Together with the profit carried forward of €15,717,256.50, the net income of €1,147,654.92 is reported as unappropriated surplus.

The Managing Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend as in previous years. This dividend will amount to €2,840,551.56 or €0.44 per share (based on the number of shares in circulation at the publication date).

Statement of financial position (HGB) Assets	31 Dec.2011 audited € thou	31 Dec.2010 audited € thou
Intangible assets	62	5
Property, plant and equipment	104	79
Financial assets	24,848	21,923
Noncurrent assets	**25,014**	**22,007**
Receivables and other assets	2,243	2,597
Securities	6,804	8,492
Cash in hand and bank balances	11,466	13,739
Current assets	**20,513**	**24,828**
Deferred items	**1**	**0**
Total assets	**45,528**	**46,835**
Equity and liabilities	€ thou	€ thou
Shareholders' equity	**39,518**	**40,548**
Provisions	**1,054**	**1,555**
Liabilities	**4,956**	**4,732**
Total Equity and liabilities	**45,528**	**46,835**

IFRS Consolidated Financial Statements for 2011

IFRS consolidated statement of comprehensive income	Notes	1 Jan. - 31 Dec. 2011 € thou	1 Jan. - 31 Dec. 2010 € thou
Revenue	III.1	**109,627**	**99,940**
Increase (+)/decrease (-) in finished goods and work in progress		134	126
Operating performance		**109,761**	**100,066**
Elimination of negative difference from capital consolidation		0	819
Income from deconsolidation	I.1.3.	475	0
Other operating income	III.2.	3,307	3,668
Total performance		**113,543**	**104,553**
Cost of raw materials and supplies		-52,364	-53,242
Cost of purchased services		-19,042	-17,109
Cost of materials		**-71,406**	**-70,351**
Wages and salaries		-19,451	-16,509
Social security and pension costs		-4,085	-3,791
Staff costs		**-23,536**	**-20,300**
Other operating expenses	III.3.	-9,361	-7,685
Loss on deconsolidation		0	-9,374
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**9,240**	**-3,157**
Amortisation and depreciation expense	II.1.	-3,567	-3,858
Earnings before interest and taxes (EBIT)		**5,673**	**-7,015**
Write-downs on securities	II.8.	-346	0
Other interest and similar income	III.5.	601	527
Interest and similar expenses	III.4.	-1,329	-1,473
Net finance costs		**-1,074**	**-946**
Earnings before taxes (EBT)		**4,599**	**-7,961**
Income tax expense	III.6.	-990	875
Other taxes	III.6.	-146	-246
Profit or loss for the period		**3,463**	**-7,332**
Non-controlling interests (continuing operations)		-166	-83
Profit or loss from continuing operations		**3,297**	**-7,415**
Profit or loss from discontinued operations	III.7.	39	571
Consolidated net profit		**3,336**	**-6,844**
Earnings per share (in €)	III.8.	0.51	-1.04

IFRS consolidated statement of comprehensive income	Notes	1 Jan. - 31 Dec. 2011 € thou	1 Jan. - 31 Dec. 2010 € thou
Consolidated net profit		**3,336**	**-6,844**
Non-controlling interests		166	89
Profit or loss for the period		**3,502**	**-6,755**
Currency translation changes			
reconised in equity	II.10.	-796	491
Net profit (+) / loss (-) from the revaluation			
of financial assets			
in the "available for sale" category	II.10.	-48	661
Change from acquisition of subholding		-2,000	0
Other comprehensive income after taxes		**-2,844**	**1,152**
Comprehensive income for the reporting period		**658**	**-5,603**
Of which attributable to:			
- Shareholders of the parent company		1,278	-5,882
- Non-controlling interests		-620	279

Statement of financial position Assets (IFRS)	Notes	31 Dec.2011 audited € thou	31 Dec.2010 audited € thou
Non-current assets			
Concessions, industrial property rights and similar rights	II.3.	2,209	1,756
Goodwill	II.2.	1,816	1,816
Advance payments		242	36
Intangible assets		**4,267**	**3,608**
Land and buildings including buildings on third-party land	II.4.	14,700	15,239
Technical equipment and machinery	II.4.	8,581	9,524
Other equipment, operating and office equipment	II.4.	2,394	2,323
Advance payments and assets under development	II.4.	482	935
Property, plant and equipment		**26,157**	**28,021**
Investments in associates		0	45
Investment securities	II.8.	5,477	5,083
Other loans		275	363
Financial assets		**5,752**	**5,491**
Deferred tax assets	II.9.	**1,567**	**2,325**
		37,743	**39,445**
Current assets			
Raw materials and supplies	II.5.	4,052	3,741
Work in progress	II.5.	2,178	2,474
Finished goods	II.5.	7,106	6,581
Inventories		**13,336**	**12,796**
Trade receivables	II.6.	7,751	8,325
Receivables associates		90	0
Other current assets	II.7.	2,587	3,119
Trade receivables and other current assets		**10,428**	**11,444**
Gold and commodities	II.8.	2,121	1,852
Securities	II.8.	7,037	8,568
Available-for-sale financial assets		**9,158**	**10,420**
Cash in hand	V.	8	6
Bank balances	V.	15,635	17,638
Cash in hand, bank balances		**15,643**	**17,644**
		48,565	**52,304**
Total assets		**86,308**	**91,749**

Statement of financial position Equity and liabilities (IFRS)	Notes	31 Dec.2011 audited € thou	31 Dec.2010 audited € thou
Equity			
Issued capital	II.10.	6,600	6,600
Capital reserves	II.10.	15,251	15,251
Legal reserve	II.10.	61	61
Retained earnings	II.10.	22,253	23,153
Non-controlling interests	II.10.	2,046	2,368
		46,211	**47,433**
Non-current liabilities			
Liabilities to banks	II.12.	13,050	13,430
Other liabilities	II.13.	829	965
Pension provisions	II.11.	4,836	5,164
Other provisions	II.14.	581	149
Deferred tax liabilities	II.9.	2,691	2,924
		21,987	**22,632**
Current liabilities			
Due to banks	II.12.	3,574	4,871
Advance payments received	II.12.	20	24
Trade payables	II.12.	7,972	9,777
Other liabilities	II.13.	3,734	3,043
Provisions with the nature of a liability	II.14.	2,148	1,954
Tax provisions	II.14.	362	257
Other provisions	II.14.	300	1,758
		18,110	**21,684**
Total equity and liabilities		**86,308**	**91,749**

Consolidated statement of cash flows	1 Jan. - 31 Dec. 2011 € thou	1 Jan. - 31 Dec. 2010 € thou
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**5,673**	-7,015
Adjustments for non-cash transactions		
Write-downs on non-current assets	3,567	3,858
Increase (+)/decrease (-) in provisions	-909	-191
Income (-)/loss (+) from deconsolidation	-475	9,374
Negative difference from capital consolidation	0	-819
Other non-cash expenses/income	-2	829
	2,181	**13,051**
Change in working capital:		
Increase (-)/decrease (+) in inventories, trade receivables and other assets	-1,442	1,130
Decrease (-)/increase (+) in trade payables and other liabilities	1,018	138
	-424	**1,268**
Income taxes paid	-928	-365
Interest received	601	527
	-327	**162**
Cash flow from operating activities	**7,103**	**7,466**
2. Cash flow from investing activities		
Investments (-)/ divestments (+) intangible assets	-314	-123
Investments(-)/ divestments(+) property, plant and equipment	-2,095	-3,103
Investments (-)/ divestments (+) financial assets	88	27
Investments (-)/ divestments (+) of available-for-sale financial assets and securities	474	-6,990
Acquisition of sub-holding	-2,640	0
Disposal (+)/ acquisition (-) of consolidated companies (less cash and cash equivalents sold/received)	513	-1,047
Cash flow from investing activities	**-3,973**	**-11,236**
3. Cash flow from financing activities		
Profit distribution to shareholders	-2,178	-3,300
Repayments of financial loans	-1,588	-1,296
Interest payments	-1,329	-1,473
Cash flow from financing activities	**-5,095**	**-6,069**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	-1,965	-9,839
Effects of changes in foreign exchange rates (non-cash)	-36	21
Cash and cash equivalents at start of reporting period	17,644	27,462
Cash and cash equivalents at end of period	**15,643**	**17,644**
Composition of cash and cash equivalents		
Cash in hand	8	6
Bank balances	15,635	17,638

Reconciliation to liquidity reserve on 31 Dec.	2011	2010
Cash and cash equivalents at end of period	15,643	17,644
Gold	2,121	1,852
Securities	12,514	13,651
Liquidity reserve on 31 Dec.	**30,278**	**33,147**

Statement of changes in consolidated equity

				Retained earnings					
	Issued capital	Capital reserves	Legal reserves	Currency translation difference	Available for sale financial assets	Generated consolidated equity	Share of shareholders of MBB AG	Non-controllilng interests	Consolidated equity
	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
1 Jan. 2010	**6,600**	**15,251**	**61**	**-2,400**	**-56**	**32,474**	**51,930**	**3,656**	**55,586**
Dividends paid	0	0	0	0	0	-3,300	-3,300	0	-3,300
Subtotal	**6,600**	**15,251**	**61**	**-2,400**	**-56**	**29,174**	**48,630**	**3,656**	**52,286**
Amounts recognised in other comprehensive income	0	0	0	0	661	0	661	0	661
Currency translation difference	0	0	0	301	0	0	301	190	491
Consolidated net profit	0	0	0	0	0	-6,844	-6,844	89	-6,755
Total comprehensive income	**0**	**0**	**0**	**301**	**661**	**-6,844**	**-5,882**	**279**	**-5,603**
Change from capital increase of Delignit AG	0	0	0	0	0	0	0	1,220	1,220
Change from deconsolidation	0	0	0	2,317	0	0	2,317	-2,787	-470
31 Dec. 2010	**6,600**	**15,251**	**61**	**218**	**605**	**22,330**	**45,065**	**2,368**	**47,433**
Dividends paid	0	0	0	0	0	-2,178	-2,178	0	-2,178
Subtotal	**6,600**	**15,251**	**61**	**218**	**605**	**20,152**	**42,887**	**2,368**	**45,255**
Amounts recognised in other comprehensive income	0	0	0	0	-48	0	-48	0	-48
Currency translation difference	0	0	0	-1,035	0	0	-1,035	239	-796
Consolidated net profit	0	0	0	0	0	3,336	3,336	166	3,502
Change from acquisition of sub-holding	0	0	0	0	0	-975	-975	-1,025	-2,000
Total comprehensive income	**0**	**0**	**0**	**-1,035**	**-48**	**2,361**	**1,278**	**-620**	**658**
Non-controlling interests DTS IT AG	0	0	0	0	0	0	0	440	440
Change from deconsolidation	0	0	0	0	0	0	0	-142	-142
31 Dec. 2011	**6,600**	**15,251**	**61**	**-817**	**557**	**22,513**	**44,165**	**2,046**	**46,211**

Notes to the Consolidated Financial Statements for 2011

I. Methods and principles

1. Basic accounting information

1.1 Information on the Company

MBB Industries AG (hereinafter referred to as "MBB" or "MBB-AG") is headquartered at Joachimstaler Straße 34, 10719 Berlin, Germany. It is entered in the commercial register of the Berlin-Charlottenburg District Court under HRB 97470. MBB Industries AG has been listed in the Prime Standard of the Frankfurt Stock Exchange since 20 June 2008 under German securities identification number A0ETBQ. It is the parent company of the MBB Group.

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

The consolidated financial statements of MBB Industries AG for the 2011 financial year are expected to be approved by the Supervisory Board of MBB Industries AG on 26 March 2012 and published on 27 April 2012.

1.2 Accounting policies

Due to its admission to the regulated market, MBB Industries AG prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements for the year ended 31 December 2011 are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the EU and applicable at the reporting date. The term "IFRS" also includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC). The requirements of section 315a HGB are also taken into account.

Application of new and amended standards

The following IAS/IFRS/IFRIC were endorsed by the EU in EU law and are required to be applied for the first time in the 2011 financial year. Unless stated otherwise, they have limited or no effect on the consolidated financial statements of MBB Industries AG:

Regulation	Title	Effects
IAS 24	Related Party Transactions	none
IFRS 7	Risks from Financial Instruments	minor
IFRS 1	Limited Exemptions for First-time Adopters	none
IAS 32	Classification of Rights Issued	none
	Annual Improvements 2011	minor
IFRIC 14	Prepayments of a Minimum Funding Requirement	none
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	none

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

IFRS	Title	Issued	Effective date	Endorsement	Expected effects
IFRS 1	Hyperinflation and removal of fixed dates	Dec. 20, 2010	Jan. 1, 2012	no	None
IFRS 7	Disclosures - Transfers of Financial Assets	Oct. 7, 2010	Jan. 1, 2012	yes	Enhanced disclosures
IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2013	no	Enhanced disclosures
IFRS 9	Financial Instruments: Classification and Measurement	Okt. 28, 2010	Jan. 1, 2015	no	Accounting of certain fair value changes
IFRS 10	Consolidated Financial Statements	May 12, 2011	Jan. 1, 2013	no	No material effects
IFRS 11	Joint Arrangements	May 12, 2011	Jan. 1, 2013	no	No material effects
IFRS 12	Disclosure of interests in other entities	May 12, 2011	Jan. 1, 2013	no	Enhanced disclosures
IFRS 13	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	no	Enhanced disclosures
IAS 1	Presentation of Financial Statements	June 16, 2011	Jan. 1, 2013	no	Change in the presentation of OCI
IAS 12	Income Taxes	Dec. 20, 2010	Jan. 1, 2012	no	No material effects
IAS 19	Employee Benefits	June 16, 2011	Jan. 1, 2013	no	Change in presentation and notes
IAS 27	Seperate Financial Statements	May 12, 2011	Jan. 1, 2013	no	None
IAS 28	Investments in Associates	May 12, 2011	Jan. 1, 2013	no	None
IAS 32	Financial Instruments: Offsetting Financial Assets and Liabilities	Dec. 16, 2011	Jan. 1, 2014	no	No material effects
IFRIC 20	Stripping Costs	Oct. 19, 2011	Jan. 1, 2013	no	None

1.3 Company law changes and structural changes in 2011

DTS IT AG, Herford, was formed by way of a notarised agreement dated 1 March 2011. It was entered in the commercial register on 4 March 2011. The object of the company is the management of its own assets, including in particular forming and acquiring, investing in, managing and selling companies in Germany and abroad, particularly in the field of information technology.

The initial capital of the company is €2,200,000, divided into 2,200,000 no-par value bearer shares. 80% of the shares are held by MBB Industries AG, with the remaining 20% held by the members of management of DTS IT AG. On 5 April 2011, DTS Systeme GmbH and ICSmedia GmbH were regrouped from DTS Beteiligungen GmbH & Co. KG under DTS IT AG.

On 7 July 2011, DTS IT AG acquired Jade 1061. GmbH from MBB Industries AG. With economic effect from 1 October 2011, DTS IT AG acquired the business activities of eld datentechnik GmbH, Fellbach, via Jade 1061. GmbH as part of an asset deal. Jade 1061. GmbH was renamed eld datentechnik GmbH. The purchase price was €640 thousand and was settled by means of a transfer of cash. The following assets and liabilities were assumed as at the acquisition date:

Assets and liabilities eld datentechnik GmbH	€ thou
Non-current asstes	
Customerbase	600
Property, plant and equipment	40
Total assets	**640**

Since the acquisition date, eld datentechnik GmbH has contributed €3,023 thousand to consolidated revenue and €13 thousand to consolidated earnings. If eld datentechnik GmbH had been acquired as at the beginning of the period, it would have contributed €13,779 thousand to consolidated revenue and €292 thousand to consolidated earnings.

On 1 December 2011, DTS Beteiligungen GmbH & Co. KG was dissolved following the retirement of the shareholders. The remaining assets and liabilities were transferred to DTS Verwaltungs GmbH. DTS Verwaltungs GmbH was acquired by eld datentechnik GmbH on 1 December 2011 and merged into the latter company in early 2012.

The DTS Group consists of the four companies DTS IT AG, DTS Systeme GmbH, ICSmedia GmbH and eld datentechnik GmbH.

With effect from 1 January 2011, MBB Industries AG sold its interest in Huchtemeier Verwaltung GmbH and hence its 80% share in Huchtemeier Papier GmbH. The following table shows the calculation of the gain on disposal generated as a result.

	31 Dec. 2011 € thou
Consideration received in form of cash	**515**
Assets and libilities disposed of due to loss of control	
Current assets	
Cash and cash equivalents	2
Trade receivables	1,278
Inventories	204
Other current asets	577
Non-current assets	
Deferred Taxes	390
Financial assets	45
Property, plant and equipment	11
Intangible assets	9
Non-controlling interests	-142
Current liabilities	
Loans payable	89
Liabilities	2,298
Non-current liabilities	
Provisions for pensions	225
Deferred taxes	6
Net assets sold	**40**
Gain on the disposal of susidiaries	
Consideration received	515
Net assets sold	40
Gain on disposal	**475**
Net inflow of cash from the sale of susidiaries	
Cash and cash equivalents received	515
Less cash and cash equivalents disposed of with the sale	2
Net inflow	**513**

Cashflow from discontinued operations	1 Jan. - 31 Dec. 2011
Cashflow from operating activities	126
Cashflow from investing activities	-3
Cashflow from financing activities	-125
Net cash from discontinued operations	**-2**

The sub-holdings in Hanke Tissue Sp. z o.o., Kostrzyn, Poland, held by the managing directors of Huchtemeier Papier GmbH were taken over by MBB Industries AG in April and May 2011. As a result of these transactions, the Company's economic shareholding in Hanke Tissue increased from 77.6% to 97%. The remaining sub-holding of 3% is held by the managing director of Hanke Tissue.

2. Scope of consolidation

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

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Subsidiaries (fully consolidated)	
OBO Modulan GmbH, Stadthagen, Germany	**100.00**
OBO-Werke Verwaltungsgesellschaft mbH, Stadthagen, Germany	100.00
OBO-Werke GmbH & Co KG, Stadthagen, Germany	**100.00**
OBO-Industrieanlagen GmbH, Stadthagen, Germany	100.00
Delignit AG, Blomberg, Germany	**76.08**
Hausmann Verwaltungsgesellschaftz mbH, Blomberg, Germany	76.08
Blomberger Holzindustrie B. Hausmann GmbH & Co. KG, Blomberg, Germany	76.08
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**100.00**
DTS IT AG, Herford, Germany	**80.00**
DTS Systeme GmbH, Herford, Germany	80.00
ICSMedia GmbH, Münster, Germany	80.00
eld datentechnik GmbH, Fellbach, Germany	80.00
DTS Beteiligungen Verwaltungs GmbH, Herford, Germany	80.00
CT Formpolster GmbH, Löhne, Germany	**100.00**

The following table shows the portfolio companies that were not fully consolidated.

Name and registered office of the company	Ownership interest in %
Associates	
S.C. Cildro Plywood Srl., Drobeta Turnu Severin, Romania	49.00
S.C. Cildro S.A., Drobeta Turnu Severin, Romania	42.90
S.C. Cildro Service Srl., Drobeta Turnu Severin, Romania	42.90

The list of shareholdings is provided as an annex to these Notes.

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of MBB Industries AG and its subsidiaries as at 31 December of each financial year. The financial statements of the subsidiaries are prepared using uniform accounting policies at the same balance sheet date as the financial statements of the parent company.

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

3.1 Subsidiaries

Capital consolidation is performed using the purchase method, under which the acquisition cost of the acquired shares is offset against the proportion of the acquired subsidiary's equity attributable to the parent company at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognised at fair value and included in the consolidated balance sheet. If the acquisition cost exceeds the fair value of the net assets attributable to the Group, the difference is capitalised as goodwill.

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a negative difference. If this negative difference remains after another review of the purchase price allocation and/or determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in income immediately. The proportion of the subsidiary's assets, liabilities and contingent liabilities attributable to minority interests is also recognised at fair value. However, only goodwill that is attributable to the Group is reported.

Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenues, income and expenses.

Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

3.2 Associates

Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% and over which MBB exercises a significant influence are classified as associated companies. Significant influence describes the power to participate in the financial and operating policy decisions of the company in which the interest is held. Associated companies are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associated company are added to or deducted from the balance sheet measurement of the holding. The amount of the loss allocation is essentially limited to the amount of the acquisition cost of the associated company. If the portfolio company reports a loss after its carrying amount has been reduced to a pro mem value of 1 €, these losses are recorded in an auxiliary account.

For acquisitions of associated companies, the purchase method is applied in the same way. Associated companies that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively.

4. Presentation of accounting policies

4.1 General

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

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

4.2 Reporting currency

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

4.3 Currency translation

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

Foreign currency monetary assets and liabilities are translated into the functional currency at each reporting date using the closing rate. All exchange differences are recognised in income.

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

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

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

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

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

2011	Closingrate 31 Dec. 2011	Average rate 2011
Polish zloty (PLN)	4.4168	4.1190

2010	Closingrate 31 Dec. 2010	Average rate 2010
Romanian leu (RON)	4.2674	4.1972
Polish zloty (PLN)	3.9603	3.9939

4.4 Intangible assets

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

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

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

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

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

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

For the purposes of subsequent measurement, intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses (reported under amortisation). Intangible assets (excluding goodwill) are amortised on a straight-line basis over their estimated useful life. The amortisation period and amortisation method are reviewed at the end of each financial year.

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

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

Patents are amortised over a useful life of 10 years.

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

Gains and losses from the disposal of intangible assets are determined as the differential value between the net disposal proceeds and the carrying amount of the asset and recognised in income in the period in which the asset is disposed of.

4.5 Goodwill

Goodwill from business combinations is the residual amount of the surplus of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired.

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

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

4.6 Property, plant and equipment

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

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

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

Buildings and exterior installations:	10 to 25 years
Technical equipment and machinery:	10 to 12 years
Computer hardware:	3 years
Other office equipment:	5 to 13 years

Land is not depreciated.

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

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

4.7 Leases

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

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

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

The Group does not act as a lessor.

4.8 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. MBB neither acquired nor produced qualifying assets in the financial year.

4.9 Impairment of non-financial assets

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

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

4.10 Financial investments and other financial assets

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

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

As at 31 December 2011, the Group had sufficient loans and receivables and available-for-sale financial assets.

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

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

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

After initial recognition, held-for-sale financial assets are measured at fair value, with gains or losses recognised in a separate item of equity. On the date when the financial investment is derecognised or when an impairment on the financial investment is ascertained, the accumulated gain or loss previously recognised in equity is recognised in the income statement. The fair value of investments traded on organised markets is calculated by reference to the buying rate quoted on the stock exchange on the balance sheet date. Market values were available for the available-for-sale financial assets reported by the Group as at 31 December 2011 and 2010.

Financial assets are tested for impairment at each balance sheet date. If, in the case of financial assets recognised at amortised cost, it is likely that the Company will not be able to recover all amounts of loans, receivables or held-to-maturity investments that are due under the contractual conditions, an impairment loss or valuation allowance is recognised in income on the receivables. The impairment loss is defined as the difference between the carrying amount of the asset and the present value of the expected future cash flows measured using the effective interest method. The carrying amount of the asset is reduced using an allowance account. The impairment loss is recognised as an expense. Impairment losses previously recognised as expenses are adjusted in income if the subsequent partial reversal (or reduction) of the impairment can objectively be attributed to an event occurring after the original impairment. However, a reversal is recognised only to the extent that it does not exceed the amount of the amortised cost that would have resulted if no impairment loss had been recognised. The financial asset is derecognised if it is classified as uncollectible.As in the previous year, the carrying amounts of the financial assets and liabilities essentially correspond to their fair values.

4.11 Inventories

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

4.12 Cash and cash equivalents

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

Cash and cash equivalents in the consolidated cash flow statement are delimited in accordance with the above definition.

4.13 Financial liabilities

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

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

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

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

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

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

4.14 Provisions

Provisions are reported when the Group has a current (legal or constructive) obligation due to a past event, it is probable that fulfilment of the obligation will lead to an outflow of resources embodying economic benefits, and the amount of the obligation can be reliably estimated. If the Group expects at

least a partial refund of a provision recognised as a liability, the refund is recognised as a separate asset provided the receipt of the refund is virtually certain. The expense from forming the provision is reported in the income statement less the refund.

Provisions are reviewed at each balance sheet date and adjusted to the current best estimate. The amount of the provision corresponds to the present value of the expenses expected to be required to fulfil the obligation if the related interest effect is material. The increase in the provision over time is recognised as interest expense.

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

4.15 Pensions and other post-employment benefits

Due to the business model of MBB Industries AG, employees' claims to post-employment benefits are not governed at Group level. Regulations on pensions are determined at the level of the individual subsidiaries, resulting in different works agreements. What all pension obligations have in common is that the claim arises even if there is also a claim to the statutory pension.

The pension obligations calculated at the level of the individual subsidiaries are measured in accordance with IAS 19. Payments for defined contribution pension plans are expensed. In the case of defined benefit pension plans, the obligation is recognised as a pension provision in the balance sheet. These pension commitments are regarded as defined benefit plan commitments and are therefore measured actuarially using the projected unit credit method. Actuarial gains or losses are recognised immediately in the income statement.

4.16 Revenue recognition

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

a) Sale of goods and products, performance of services

Revenue is recognised when the significant risks and rewards of ownership of the goods and products sold have been transferred to the buyer. This generally takes place when the goods and products are delivered.

Revenue from service transactions is recognised only when it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. It is recognised in the accounting period in which the services in question are performed.

b) Interest revenue

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

c) Dividends

Revenue is recognised when the legal right to payment arises.

4.17 Taxes

a) Current income taxes

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

b) Deferred taxes

Deferred taxes are recognised using the liability method for temporary differences at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of deferred tax liabilities from the initial recognition of goodwill or of an asset or liability from a

transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit.

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

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

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

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

4.18 Contingent liabilities and contingent assets

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

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

Contingent assets are not recognised in the financial statements, but are disclosed in the notes when receipt of economic benefits is probable.

4.19 Government grants

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

The grants received are reported on the liability side of the balance sheet as deferred income.

5. Material discretionary decisions, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations determined as at the balance sheet date and the presentation of expenses and income. The actual amounts may differ from these estimates.

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

a) Impairment of non-financial assets

At each balance sheet date, the Group determines whether there are indications of impairment of non-financial assets. Goodwill with an indefinite useful life is tested for impairment at least once a year and when there are indications of impairment. Other non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To estimate the

value in use, the management measures the expected future cash flows of the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

b) Pensions and other post-employment benefits

The expense from defined benefit plans post-employment is determined using actuarial calculations. The actuarial calculation is based on assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty. The provision for pensions and similar obligations amounted to €4,836 thousand as of 31 December 2011 (2010: €5,164 thousand).

c) Provisions

Other provisions are recognised and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the balance sheet date. The actual obligation may differ from the amounts set aside as provisions.

d) Deferred tax assets

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

II. Notes to the consolidated balance sheet

1. Non-current assets

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

1.1 Statement of changes in non-current assets of the MBB Group as at 31 December 2011

31 Dec. 2011	Total cost € thou	Additions in the financial year € thou	Additions from first time con-solidation € thou	Reclassi-fication € thou	Disposals from decon-solidation € thou	Disposals in the financial year € thou	Exchange differences € thou	Write downs (full amount) € thou	Carrying mount at the end of financial year € thou	Carrying mount at the end of previous year € thou	Write downs in the financial year € thou	Disposals of write downs € thou	Exchange differences € thou
I. Intangible assets													
1. Concessions, industrial property rights and similar rights	3,585	125	600	14	14	0	-9	2,092	2,209	1,756	276	5	-8
2. Goodwill	3,643	0	0	0	0	0	0	1,827	1,816	1,816	0	0	0
3. Advance payments	36	206	0	0	0	0	0	0	242	36	0	0	0
	7,264	**331**	**600**	**14**	**14**	**0**	**-9**	**3,919**	**4,267**	**3,608**	**276**	**5**	**-8**
II. Property, plant and equipment													
1. Land and buildings including buildings on third-party land	21,890	20	0	472	0	0	-544	7,138	14,700	15,239	583	0	-96
2. Technical equipment and machinery	27,648	156	0	990	0	338	-1,062	18,813	8,581	9,524	1,967	312	-966
3. Other equipment, operating and office equipment	10,549	804	40	93	54	101	-148	8,789	2,394	2,323	741	136	-42
4. Advance payments and assets under development	935	1,550	0	-1,569	0	152	-282	0	482	935	0	0	0
	61,022	**2,530**	**40**	**-14**	**54**	**591**	**-2,036**	**34,740**	**26,157**	**28,021**	**3,291**	**448**	**-1,104**
Total	**68,286**	**2,861**	**640**	**0**	**68**	**591**	**-2,045**	**38,659**	**30,424**	**31,629**	**3,567**	**453**	**-1,112**

1.2 Statement of changes in non-current assets of the MBB Group as at 31 December 2010

31 Dec. 2010	Total cost	Additions in the financial year	Additions from first time con-solidation	Reclassi-fication	Disposals from decon-solidation	Disposals in the financial year	Exchange differences	Write downs (full amount)	Carrying mount at the end of financial year	Carrying mount at the end of previous year	Write downs in the financial year	Reversal of write downs	Disposals of write downs	Exchange differences
	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
I. Intangible assets														
1. Goodwill industrial property rights and similar rights	3,606	25	28	62	136	0	0	1,829	1,756	1,616	211	240	132	0
2. Goodwill	3,787	0	0	0	144	0	0	1,827	1,816	1,960	0	0	0	0
3. Advance payments	0	98	0	-62	0	0	0	0	36	0	0	0	0	0
	7,393	**123**	**28**	**0**	**280**	**0**	**0**	**3,656**	**3,608**	**3,576**	**211**	**240**	**132**	**0**
II. Property, plant and equipment														
1. Land and buildings including buildings on third-party land	26,248	1	386	336	5,249	23	191	6,651	15,239	19,513	737	0	831	10
2. Technical equipment and machinery	33,055	289	2,998	3,595	12,649	5	365	18,124	9,524	12,631	3,261	0	5,868	307
3. Other equipment, operating and office equipment	10,007	369	217	126	41	153	24	8,226	2,323	2,292	638	0	130	3
4. Advance payments and assets under development	1,846	3,143	111	-4,057	85	39	16	0	935	1,846	0	0	0	0
	71,156	**3,802**	**3,712**	**0**	**18,024**	**220**	**596**	**33,001**	**28,021**	**36,282**	**4,636**	**0**	**6,829**	**320**
Total	**78,549**	**3,925**	**3,740**	**0**	**18,304**	**220**	**596**	**36,657**	**31,629**	**39,858**	**4,847**	**240**	**6,961**	**320**

2. Goodwill

The goodwill reported as at the balance sheet date results from the acquisition of Hanke Tissue Sp. z o.o., Kostrzyn, Poland (Industrial Production segment) and the DTS Group (Trade & Services segment).

The goodwill of the cash-generating units (CGUs) was tested for impairment; however, this did not identify the need to recognise any impairment losses.

The impairment tests to determine the recoverable amount were based on the value in use of the CGUs, which was calculated using forecast revenue based on a five-year plan. The calculation of the budget figures took into account current and future probabilities, the expected economic development and other circumstances. For the standard year (perpetuals), the budget figures from the previous planning year were used. An interest rate of 12% was applied as the discount rate (as in the previous year). As a cautionary measure, possible growth in the standard year was not taken into account.

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

3. Intangible assets

With regard to the development of intangible assets, please refer to the presentation in the statement of changes in non-current assets. Among other things, intangible assets include capitalised development costs in the amount of €361 thousand, which are amortised over a period of ten years. In the reporting period amortization amounted to €40.1 thousand.

4. Property, plant and equipment

With regard to the development of property, plant and equipment, please refer to the presentation in the statement of changes in non-current assets.

5. Inventories

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Raw materials and supplies	4,052	3,741
Work in progress	2,178	2,474
Finished goods	7,106	6,581
Carrying amount as at 31 Dec.	**13,336**	**12,796**

In continuing operations, impairment losses of €616 thousand were recognised on raw materials and supplies during the reporting period (previous year: €310 thousand). There were no reversals of impairment losses on inventories.

6. Trade receivables

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Trade receivables	8,156	9,068
Less specific valuation allowances	-405	-743
Carrying amount as at 31 Dec.	**7,751**	**8,325**

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

The trade receivables are all due within one year.

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

7. Other current assets

Other assets with maturities within one year break down as follows:

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Tax receivables	811	1,676
Factoring receivables	609	627
Loan receivables	524	0
Miscellaneous other current assets	508	659
Prepaid expenses	135	157
Carrying amount as at 31 Dec.	**2,587**	**3,119**

8. Available-for-sale financial assets

The available-for-sale financial assets of the MBB Group comprise physical gold reserves and securities. The value of the physical gold reserves was €2,121 thousand (previous year: €1,852 thousand). The increase of €269 is due to fair value measurement.

Of the available-for-sale securities, shares and bonds totalling €12,514 thousand (previous year: €13,651 thousand), €5,477 thousand (previous year: €5,083 thousand) is reported under non-current assets and €7,037 thousand (previous year: €8,568 thousand) under current assets. In the year under review, write-downs were recognised on shares in the amount of €138 thousand and bonds in the amount of €208 thousand. This was offset by income from securities in the amount of €305 thousand, which is reported in other operating income.

9. Deferred taxes

The volume of deferred tax assets and liabilities from temporary differences as at 31 December 2011 and 2010 was as follows:

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Deferred tax assets	1,567	2,325
Deferred tax liabilities	-2,691	-2,924
Total	**-1,124**	**-599**

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Temporary differences from:		
Intangible assets	120	150
Goodwill	0	378
Unused tax losses	999	1,247
Provisions for pensions	390	357
Provisions	58	193
Deferred tax assets	**1,567**	**2,325**

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Temporary differences from:		
Intangible assets	108	120
Property, plant and equipment	2,538	2,756
Receivables	18	20
Provisions	27	28
Deferred tax liabilities	**2,691**	**2,924**

10. Equity

With regard to the development of equity, please refer to the separate annex to these notes entitled “Statement of changes in consolidated equity for 2011”.

10.1 Share capital

MBB’s share capital amounts to €6,600,000.00 and is fully paid-in. It is divided into 6,600,000 no-par value bearer shares.

In the 2006 financial year, the share capital was increased by €4,838,000.00 as a result of a capital increase from capital reserves and by another €1,600,000.00 through the issue of new shares, resulting in a total increase from €162,000.00 to €6,600,000.00.

The individual shareholdings were as follows:

	31 Dec. 2011		31 Dec. 2010	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH	2,425,500	*36.750*	2,425,500	*36.750*
MBB Capital GmbH	2,425,500	*36.750*	2,425,500	*36.750*
Tolea GmbH	130,200	*1.973*	130,200	*1.973*
Dacapo 2 GmbH	60,000	*0.909*	60,000	*0.909*
Dr. Peter Niggemann	30,000	*0.455*	30,000	*0.455*
Dr. Jan C. Heitmüller	10,000	*0.152*	10,000	*0.152*
Dr. Matthias Rumpelhardt	2,000	*0.030*	2,000	*0.030*
Free float	1,516,800	*22.982*	1,516,800	*22.982*
Total	**6,600,000**	***100***	**6,600,000**	***100***

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

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

100 % of the shares in Dacapo 2 GmbH are held by Dr. Matthias Rumpelhardt via another company.

All of the shares in MBB Capital Management GmbH and MBB Capital GmbH are owned by MBB Capital Group GmbH, meaning that MBB Capital Group GmbH indirectly held 73.5% of the voting rights as of 31 December 2011.

By resolution of the Annual General Meeting on 30 June 2010, the Managing Board was authorised – subject to the approval of the Supervisory Board – to increase the Company's share capital on one or more occasions by a total of up to €3,300,000.00 in the period until 29 June 2015 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (Authorised Capital 2010).

The Company was also authorised to purchase and sell treasury shares corresponding to up to 10% of the share capital in the period from 1 July 2010 to 29 June 2015.

The Managing Board was also authorised – subject to the approval of the Supervisory Board – to issue bearer and/or registered convertible bonds and/or bonds with warrants with a total volume of up to €66,000,000.00 and a maximum term of 10 years in the period until 29 June 2015.

The Company's share capital is increased contingently by up to €3,300,000.00 (Contingent Capital 2010). The purpose of this contingent capital increase is to issue shares to the creditors of convertible bonds or bonds with warrants that can be issued until 29 June 2015 in accordance with the above authorisation. The contingent capital increase may only be implemented to the extent that the creditors have exercised their conversion right or are subject to a conversion obligation.

10.2 Capital reserves

As in the previous year, capital reserves amounted to €15,251 thousand. They resulted from the premium received by the Company from the issue of new shares.

10.3 Legal reserves

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

10.4 Retained earnings

Difference in equity due to currency conversion

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

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

In the year under review, the exchange rate of the Polish zloty to the euro changed from 3.96 at the start of the year to 4.42 at the end of the year, resulting in a significant non-cash reduction in consolidated equity of €0.8 million.

Reserves for available-for-sale financial assets

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

Reserves for generated consolidated equity

This item comprises the gains generated by the Group less distributed profits. On 1 July 2011, a dividend of €0.33 per share (€2.2 million in total) was paid out to the shareholders.

11. Provisions for pensions and similar obligations

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Pension provisions at beginning of the financial year	**5,164**	**2,017**
Change in the scope of consolidation	-225	3,388
Utilisation	-452	-512
Addition to provisions (service cost)	62	32
Addition to provisions (interest cost)	238	277
Actuarial gains/losses	58	-38
Pension provisions at end of the financial year	**4,845**	**5,164**
- Plan assets	9	0
Pension provision recognised in the balance sheet	**4,836**	**5,164**

The following actuarial assumptions were used as the basis:

	2011	2010
Actuarial interest rate	4,80 - 5,40 %	4,60 - 5,25 %
Salary trend	2,00 %	2,50 %
Pension trend	1,00 - 2,00 %	1,75 - 2,50 %
Fluctuation	0,00 - 5,00 %	0,00 - 5,00 %

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

The expenses and income recognised in the income statement are as follows:

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Addition to provisions (service cost)	-62	-32
Addition to provisions (interest cost)	-238	-277
Actuarial gains/losses	-58	38
Total	**-358**	**-271**

The expected pension payments from the pension plans for 2012 amount to €0.5 million.

12. Liabilities

The liabilities have the following maturities:

31 Dec. 2011	Up to 1 year € thou	More than 1 year and up to 5 years € thou	Over 5 years € thou	Total € thou
Liabilities to banks	3,574	12,419	631	16,624
Trade payables	7,972	0	0	7,972
Other liabilities	3,734	829	0	4,563
Provisions with the nature of a liability	2,148	0	0	2,148
Advance payments received	20	0	0	20
As at 31 Dec. 2011	**17,448**	**13,248**	**631**	**31,327**

31 Dec. 2010	Up to 1 year € thou	More than 1 year and up to 5 years € thou	Over 5 years € thou	Total € thou
Liabilities to banks	4,871	13,430	0	18,301
Trade payables	9,777	0	0	9,777
Other liabilities	3,043	571	394	4,008
Provisions with the nature of a liability	1,954	0	0	1,954
Advance payments received	24	0	0	24
As at 31 Dec. 2010	**19,669**	**14,001**	**394**	**34,064**

Liabilities to banks have both fixed and floating interest rates of between 3.62% and 9.0% (previous year: between 2.1% and 10.5%). Land and buildings, technical equipment, machinery, inventories and receivables were pledged as collateral. The carrying amount of the pledged assets amounted to €19,616 thousand as at the reporting date (previous year: €13,775 thousand).

13. Other liabilities

Other liabilities are as follows:

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
Current		
Value-added tax	726	585
Wages and salaries	534	504
Wage tax	359	297
Tax obligations	356	0
Investment grant received	205	285
Social security benefits	188	324
Leasing obligations	140	322
Miscellaneous	1,226	726
	3,734	**3,043**
Non-current		
Investment grant received	318	557
Provident funds	281	288
Leasing obligations	230	120
	829	**965**
Total	**4,563**	**4,008**

14. Provisions

14.1 Other provisions

Other provisions and provisions with the nature of a liability are as follows:

	31 Dec. 2010	Reclassi-fication	Utili-sation	Re-versal	Addition	31 Dec. 2011
	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
Other Provisions						
Partial retirement	0	512	230	9	72	345
Provision for contractual risks	1,508	0	0	1,208	0	300
Anniversaries	149	0	19	6	12	136
Restructuring	250	0	0	250	0	0
Miscellaneous	0	0	0	0	100	100
	1,907	**512**	**249**	**1,473**	**184**	**881**
Accruals						
Staff costs	0	0	0	0	521	521
Holiday	255	0	255	0	271	271
Accounting & audit costs	227	0	227	0	183	183
Outstanding invoices	574	0	574	0	168	168
Variable salary and commission	78	0	78	0	127	127
Renovation expenses	0	0	0	0	125	125
Employers' liability insurance association	62	0	62	0	63	63
Flexitime	69	0	69	0	14	14
Partial retirement	512	-512	0	0	0	0
Miscellaneous	177	0	177	0	676	676
	1,954	**-512**	**1,442**	**0**	**2,148**	**2,148**
Total	**3,861**	**0**	**1,691**	**1,473**	**2,332**	**3,029**

As the outflow of economic resources for current provisions and the provision for contractual risks is expected in the following financial year, the provision for contractual risks (€300 thousand) is reported in other current provisions on the face of the balance sheet.

14.2 Tax provisions

Tax provisions are broken down as follows:

	31 Dec. 2011	31 Dec. 2010
	€ thou	€ thou
Corporate income tax	210	170
Trade income tax	152	87
Carrying amount as at 31 Dec.	**362**	**257**

15. Lease and rental obligations

15.1 Operating leases and rent

	31 Dec. 2011 € thou	31 Dec. 2010 € thou
As at the balance sheet date, the Group has outstanding obligations from non-cancellable operating leases that are due as follows:		
Up to one year	159	172
More than one year and up to five years	271	200
Over five years	0	22
	430	**394**
As at the balance sheet date, the Group has outstanding obligations from rent due as follows:		
Up to one year	999	1,030
More than one year and up to five years	2,417	2,537
Over five years	1,764	2,053
	5,180	**5,620**
Expenses during review-period from operating leases and rent	1,633	1,428

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

15.2 Finance leases

The following assets are utilised under finance leases:

	2011 € thou	2010 € thou
Technical equipment and machinery		
Cost on 1 Jan.	3,816	3,934
Additions	70	0
Disposals	0	-118
Cost on 31 Dec.	**3,886**	**3,816**
Write-downs on 1 Jan.	-2,276	-2,145
Additions	-155	-202
Disposals	0	71
Write-downs on 31 Dec.	**-2,431**	**-2,276**
Carrying amount as at 31 Dec.	**1,455**	**1,540**
Operating and office equipment		
Cost on 1 Jan.	521	521
Additions	0	0
Disposals	-200	0
Cost on 31 Dec.	**321**	**521**
Write-downs on 1 Jan.	-239	-167
Additions	-50	-72
Disposals	200	0
Write-downs on 31 Dec.	**-89**	**-239**
Carrying amount as at 31 Dec.	**232**	**282**

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

	up to 1 year € thou	between 1 and 5 years € thou	More than 5 years € thou
Lease payments	163	298	0
Discounts	23	68	0
Present values	**140**	**230**	**0**

III. Notes to the statement of comprehensive income

Unless otherwise specified, the following discussion refers solely to continuing operations. The sale of Huchtemeier, which represented a significant portion of the Trade & Services segment and is classified as discontinued operations, means that there is a change in the composition of discontinued operations for 2010; accordingly, the prior-year figures for continuing operations have been restated compared with the previous year's consolidated financial statements.

1. Revenue

Revenue from continuing operations amounted to €109.6 million (previous year: €99.9 million). Revenue development is discussed in the management report. Segment reporting for revenues is structured primarily by business segment and secondly by geographic segment.

2. Other operating income

	2011 € thou	2010 € thou
Income from		
the reversal of provisions	1,298	412
deconsolidation	475	0
the sale of securities	305	274
Government grants	276	91
benefits in kind	231	224
sale of property, plant and equipment	134	0
expenses charged to discontinued operations	125	221
exchange rate gains	110	199
rental agreements	53	71
insurance compensation/compensation	39	54
the reversal of valuation allowances on receivables	13	68
the reimbursement of electricity and petroleum tax	13	11
refinancing	0	1,500
bad will	0	819
elimination of intragroup balances	0	33
Other own work capitalised	0	24
Miscellaneous	710	486
Total	**3,782**	**4,487**

3. Other operating expenses

	2011 € thou	2010 € thou
Maintenance expenses	1,725	1,361
Rental agreements and leasing	1,633	1,428
Legal and consulting	1,003	663
Travel costs/vehicle costs	902	924
Other services	902	433
Expenses from securities transactions	347	67
Insurance	319	324
Advertising costs	278	297
Contributions and fees	264	222
Incidental costs for monetary transactions	248	353
Costs for telephone, post and data communication	237	265
Loss of receivables and bad debt allowances/write-downs charged on receivables	207	263
Training	116	92
Expenses from the disposal of non-current assets	98	13
Office supplies	39	125
Miscellaneous	1,043	855
Total	**9,361**	**7,685**

4. Finance costs

	2011 € thou	2010 € thou
Bank interest	1,087	959
Other interest and similar expenses	221	505
Interest expense from finance leasing	21	9
Total	**1,329**	**1,473**

5. Finance income

	2011 € thou	2010 € thou
Interest and similar income from securities transactions	405	346
Bank interest	179	89
Other interest and similar income	17	92
Total	**601**	**527**

6. Taxes

	2011 € thou	2010 € thou
Corporate income tax	425	166
Trade income tax	405	160
Deferred taxes	160	-1,201
Other tax expense	146	246
Total	**1,136**	**-629**

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

The reconciliation of income tax expense and the accounting net profit multiplied by the Group's applicable tax rate for the 2011 and 2010 financial years is as follows:

	2011 € thou	2010 € thou
Consolidated income before taxes and minority interests	3,609	-7,086
Taxes on income	990	-875
Current tax rate	**27.4%**	**12.3%**

	2011 € thou	2010 € thou
Profit from ordinary activities	4,599	-7,961
Other taxes	-146	-246
Applicable (statutory) tax rate	30%	30%
Expected tax income/expense	**1,336**	**-2,462**
Differences from foreign tax rates and special tax schemes	-439	-650
Losses/income from the sale of equity investments with no effect on tax	-143	2,812
Bad will	0	-246
Other tax effects	236	-329
Current tax expenses / income	**990**	**-875**

7. Profit from discontinued operations

	1 Jan. - 31 Dec. 2011 € thou	1 Jan. - 31 Dec. 2010 € thou
Revenue	**4,047**	**24,393**
Increase (+) /reduction (-) in inventories of finished goods work in progress	0	167
Operating performance	**4,047**	**24,560**
Other operating income	7	464
Total performance	**4,054**	**25,024**
Cost of raw materials and consumables	-3,315	-16,983
Cost of purchased services	-387	-1,840
Cost of materials	-3,701	-18,823
Wages and salaries	-167	-1,918
Social security and pension costs	-29	-868
Staff costs	-195	-2,786
Other operating expenses	-93	-1,889
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**64**	**1,527**
Amortisation and depreciation expense	0	-749
Earnings before interest and taxes (EBIT)	**64**	**778**
Other interest and similar income	0	15
Interest and similar expenses	-23	-352
Net finance costs	**-23**	**-337**
Earnings before taxes (EBT)	**42**	**441**
Income tax expense	**0**	-132
Profit or loss for the period	**42**	308
Non controlling interests (continuing operations)	**-3**	263
Profit or loss from discontinued operations	**39**	**571**
Earnings per share (in €)	**0.01**	0.09

Discontinued operations in 2011 related to the Huchtemeier companies. Due to the retrospective change in accordance with IFRS 5, the Huchtemeier companies and the Romanian companies, a majority interest in which was sold in 2010, are reported as discontinued operations for 2010.

8. Earnings per share

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

	Continuing operations		Discontinued operations	
	2011 € thou	2010 € thou	2011 € thou	2010 € thou
Result attributtable to the holders of shares in the parent company	3,296,593.04	-7,415,156.79	39,345.62	571,063.60
Weighted average number of shares to calculate the earnings per share	6,600,000	6,600,000	6,600,000	6,600,000
Earnings per share (in €)	**0.50**	**-1.12**	**0.01**	**0.08**

The net profit for the financial year after minority interests and profit from discontinued operations amounted to €3,336 thousand (previous year: net loss of €-6,844 thousand), corresponding to earnings per share of €0.51 (previous year: €-1.04).

IV. Segment reporting

1. Information by segment

Segment reporting was prepared using IFRS 8 (Operating Segments), under which operating segments are defined as the components of an entity for which discrete financial information is available and under which the segment's operating results are reviewed regularly by the segment's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

MBB's management divides the segments internally as follows:

Technical Applications

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

The Delignit Group develops, produces and markets ecological products based on the natural, sustainable and carbon-neutral raw material of wood. As a development, project and series supplier for technology industries such as the automotive and aviation sectors, the Delignit Group's business activities focus on the development and implementation of technological and customer-specific applications and systems. The basis for this is the Delignit material, which is made mostly of beech wood. In contrast to many other raw materials, wood is lifecycle carbon-neutral, making it ecologically superior to other materials. This means that using Delignit as a substitute for applications involving non-renewable raw materials serves to improve the environmental impact of customers' products and meet their increasingly stringent ecological requirements.

The operating business of the Delignit Group includes the areas of "Automotive" and "Technological Applications". The predecessor to the current Delignit Group was formed more than 200 years ago and was family-owned until the investment by MBB-AG in 2003.

Industrial Production

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

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of “aha”, the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and coloured tissue paper for various private labels in Europe. The Polish company Hanke Tissue Sp. z o.o. in Kostrzyn, Poland constitutes the core of the company’s activities.

OBO is a global provider of polyurethane boards for the construction of models, moulds and tools. The majority of OBO’s customers are automobile manufacturers.

CT Formpolster GmbH manufactures polyether foams. The company’s service portfolio extends from material and product development and production through to order picking and JIT delivery. The product range not only includes standard foams but also highly elastic, flame-retardant, antistatic and intensely coloured products. CT Formpolster markets its products as cores for mattresses or seating, especially in the furniture, caravan, office and mattress industries.

Trade & Services

Trade & Services combines the portfolio companies in the MBB portfolio that provide specialist services to their customers or engage in retail business without production activities of their own. This segment includes the DTS Group and, until its disposal, the portfolio company Huchtemeier.

The DTS Group is a leading cloud computer provider for German SMEs. Own data centers allows it to provide a broad range of services across all levels of the cloud. Its business model encompasses the consulting, design, procurement, implementation and operation of IT environments, preferably at its data centre. Traditional systems house services are combined with the leasing of floor space, hardware and storage, database and operating system platforms and application leasing in areas such as IT security, office communications and archiving. The DTS IT Group consists of DTS IT AG, DTS Systeme GmbH, ICSmedia GmbH and, since October 2011, eld datentechnik GmbH.

Formed in 1983, DTS Systeme GmbH was part of a regional group until its acquisition by MBB-AG and is headquartered in Herford with additional offices in Bochum, Bremen, Darmstadt and Hanover.

ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH is a regional provider of IT systems solutions and also has its own data centre. In addition to housing, hosting and Internet provision, ICSmedia GmbH works in close cooperation with DTS Systeme GmbH to offer high-quality IT consulting services and superlative, state-of-the-art cloud computing solutions.

Since October 2011 eld datentechnik GmbH, Fellbach, has been part of the DTS Group. A distributor for IT infrastructure systems, eld datentechnik operates throughout Germany and is specialised in IP access and storage technology. The service range is rounded off with IT training and consulting services. This means that eld datentechnik GmbH provides vertical expansion for the service range of the other DTS subsidiaries.

Segment results

The accounting policies in the segments correspond to the accounting policies described in point 4. The segment result is based on the EBIT of the individual segments, as this is the basis on which the segments are managed. Transfer pricing between the operating segments is calculated on an arm’s-length basis.

The following reportable segment information for the individual Group relates to continuing operations.

1 Jan. - 31 Dec. 2011	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€ thou	€ thou	€ thou	€ thou	€ thou
Revenue from third parties	30,155	50,067	28,199	1,206	109,627
Other segments	478	279	20	-777	0
Total revenue	**30,633**	**50,346**	**28,219**	**429**	**109,627**
Earnings (EBIT)	**1,375**	**2,302**	**939**	**1,057**	**5,673**
Amortisation and depreciation	692	2,105	734	36	3,567
Investments	47	2,058	638		
Investments in associates*	0	0	0		
Segment assets	**13,577**	**28,853**	**8,560**		
Segment liabilities	**5,341**	**1,933**	**3,430**		

*The shares in the Romanian Companies are reported in the Technical Applications segment.

1 Jan. - 31 Dec. 2010	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€ thou	€ thou	€ thou	€ thou	€ thou
Revenue from third parties	25,087	51,594	22,054	1,205	99,940
Other segments	499	186	56	-741	0
Total revenue	**25,586**	**51,780**	**22,110**	**464**	**99,940**
Earnings (EBIT)	**-8,846**	**1,118**	**506**	**207**	**-7,015**
Amortisation and depreciation	661	2,847	309	41	3,858
Investments	229	3,317	336		
Investments in associates*	0	0	0		
Segment assets	**15,598**	**31,626**	**5,927**		
Segment liabilities	**4,558**	**10,162**	**2,632**		

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

Reconciliation of EBIT to net profit for the year	2011 € thou	2010 € thou
Total EBIT of the segments	**5,673**	**-7,015**
Net finance costs	-1,074	-946
EBT	4,599	-7,961
Taxes on income	-990	875
Other taxes	-146	-246
PAT (profit after tax)	3,463	-7,332
Non Controlling Interests	-166	-83
Profit or loss from continuing operations	3,297	-7,415
Profit or loss from discontinued operations	39	571
Net profit for the period	**3,336**	**-6,844**

Reconciliation of segment assets to assets	2011 € thou	2010 € thou
Technical Applications segment	13,577	15,598
Industrial Production segment	28,853	31,626
Trade & Services segment	8,560	5,927
Total segment assets	**50,990**	**53,151**
Deferred tax assets	1,567	2,325
Current funds	24,801	28,064
Financial assets	5,477	5,083
Other assets	3,474	3,126
Total assets	**86,309**	**91,749**

Reconciliation of segment liabilities to equity and liabilities	2011 € thou	2010 € thou
Technical Applications segment	5,341	4,558
Industrial Production segment	1,933	10,162
Trade & Services segment	3,430	2,632
Total segment liabilities	**10,704**	**17,352**
Consolidated equity	46,211	47,433
Deferred tax liabilities	2,691	2,924
Tax provision	362	257
Liabilities to banks	16,624	18,301
Leasing liabilities	370	442
Other equity and liabilities	9,346	5,040
Total equity and liabilities	**86,308**	**91,749**

2. Information by region

2.1 Revenue from external customers

	2011 € thou	2010 € thou
Europe	104,578	95,791
North America	3,020	2,580
Miscellaneous	2,029	1,569
Total	**109,627**	**99,940**

2.2 Non-current assets

The MBB Group's non-current assets are located exclusively in Europe.

V. Notes to the consolidated cash flow statement

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

The cash flow statement was prepared using the indirect method.

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

VI. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's existing financial liabilities primarily include current and non-current liabilities to banks, current trade payables and other current and non-current liabilities. The Group's financial assets are mainly cash, gold reserves, securities and trade receivables. The carrying amount of the financial assets less impairment losses is recorded in the consolidated financial statements and represents the maximum exposure to credit risk, which totalled €38,029 thousand (previous year: €42,758 thousand). Business relationships are entered into with creditworthy contractual partners only. Available financial information and trading records are used to assess their creditworthiness, especially for major customers. Trade receivables exist for a number of customers spread over various industries and regions. Ongoing credit assessments of the financial level of the receivables are performed. Payment terms of 30 days without deduction are usually granted. No valuation allowances were made for trade receivables that were overdue at the balance sheet date if no material changes in the customer's creditworthiness were determined and it is assumed that the outstanding amount will be paid.

For the maturities of the financial liabilities, see II.12. "Liabilities" and II.13 "Other liabilities".

The valuation of the financial assets and liabilities of the MBB Group is presented under I.4.10 "Financial investments and other financial assets" and I.4.13 "Financial liabilities" and in the discussion of the Group's general accounting principles.

The Group uses the fair value option for securities and for physical gold reserves classified as available for sale. The Group had no financial liabilities at fair value through profit or loss at either this reporting date or the last reporting date. Derivatives and hedging transactions were not entered into. There were no reclassifications in 2011 or 2010.

2. Capital risk management

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

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

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

	31 Dec. 2011	31 Dec. 2010
Equity in € thousand	46,211	47,433
- in % of total capital	*53.5%*	51.7%
Liabilities in € thousand	40,097	44,316
- in % of total capital	*46.5%*	48.3%
Current liabilities in € thousand	18,110	21,684
- in % of total capital	*21.0%*	23.6%
Non-current liabilities in € thousand	21,987	22,632
- in % of total capital	*25.5%*	24.7%
Net gearing*	0.2	0.2

* calculated as liabilities minus cash and cash equivalents, securities and gold stock in relation to equity

Due to the agreement of several financial covenants when taking out loans, the Group is encouraged to maintain certain equity ratios.

3. Management of financial risks

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

The material Group risks arising from financial instruments include liquidity risks and credit risks. Business relationships are entered into solely with creditworthy contractual partners. Assessments from independent rating agencies, other financial information and trading records are used to assess creditworthiness, especially of major customers. In addition, receivables are monitored on an ongoing basis to ensure that the MBB Group is not exposed to major credit risks. The maximum default risk is limited to the respective carrying amounts of the assets reported in the balance sheet.

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

4. Market risks

Market risks may result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). Due to the estimation of exchange rate risks, no foreign exchange contracts were entered into for the Group as at 31 December 2011. The Group invoices mainly in euro or the respective local currency, thereby avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of taking up financing at variable interest rates. The MBB Group manages these risks by maintaining an appropriate ratio between fixed and variable interest rate agreements. There is no hedging involving derivatives (e.g. interest rate swaps or interest rate futures). At the reporting date, the Group had liabilities with variable interest rates in the amount of €8,383 thousand. If, all other things being equal and supposing corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €167.7 thousand lower (higher).

5. Fair value risk

The financial instruments of the MBB Group that are not carried at fair value are primarily cash, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities.

The carrying amount of cash is extremely close to its fair value on account of the short terms of these financial instruments. In the case of receivables and liabilities with normal credit conditions, the carrying amount based on historical cost is also extremely close to fair value.

VII. Other required information

1. Managing Board

MBB's Managing Board had the following members in the 2011 financial year:

- Dr. Christof Nesemeier, Diplom-Kaufmann, Chairman of the Managing Board, (Areas: Strategy, Finance, Investor Relations and Holdings Management)
- Gert-Maria Freimuth, Diplom-Kaufmann, member of the Managing Board (Areas: Mergers & Acquisitions, Legal, IT and Corporate Identity)

Dr. Christof Nesemeier is the Chairman of the Supervisory Board of Delignit AG, the Chairman of the Supervisory Board of bmp Beteiligungsmanagement AG and the Deputy Chairman of the Supervisory Board of InVision Software AG. Gert-Maria Freimuth is the Chairman of the Supervisory Board of DTS IT AG, the Deputy Chairman of the Supervisory Board of Delignit AG and a member of the Supervisory Board of United Labels AG.

2. Supervisory Board

MBB's Supervisory Board had the following members in the 2011 financial year:

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

Dr. Matthias Rumpelhardt is also the Deputy Chairman of the Supervisory Board of RIB Software AG, Stuttgart.

On 7 July 2011, the entire Supervisory Board was re-elected for a further five-year term.

3. Compensation paid to the members of the executive bodies

a) Managing Board

The compensation of the Managing Board consists of a fixed and a variable element. The Managing Board is also reimbursed for expenses upon presentation of receipts. D&O insurance with no deductible and accident insurance have been concluded. No additional benefits (e.g. retirement benefits, direct benefits, severance payments) have been agreed. Similarly, there are no agreements governing the early or regular termination of a member's Managing Board mandate in the event of a change of control at the Company.

In the 2011 financial year, the amounts expensed for fixed compensation were:

- Dr. Christof Nesemeier, contractual partner of MBB Capital Management GmbH, €258,000.00
- Gert-Maria Freimuth, contractual partner of MBB Capital GmbH, €234,000.00

By resolution of the Supervisory Board on 21 December 2009, senior management as a whole receives additional variable compensation of 9% of the amount by which the equity of MBB Industries AG at the end of each financial year (final value) exceeds the equity at the beginning of the financial year (starting value) starting from the 2010 financial year. In each case, equity comprises the items set out in section 266 (3) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets that have a market price must be recognised at the market price. This does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions during the year and repayments of equity must be added to this final value, whilst additions to the equity must be subtracted from it. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members of the Managing Board shall not be entitled to receive further variable remuneration until these negative amounts have been eliminated. At an absolute level, the variable compensation is limited to 5% of the respective final value, thereby entitling the Managing Board and senior management to variable remuneration of €97,171.78 for 2011. Of this amount, Dr. Christof Nesemeier received €24,292.12 and Mr. Gert-Maria Freimuth €24,292.12.

Managing Board members Dr. Nesemeier and Mr. Freimuth each received personal Supervisory Board remuneration from Delignit AG for 2011 in the amount of €16,000 and €12,000 respectively.

b) Supervisory Board

Members of the Supervisory Board received fixed compensation totalling €18,000 in the 2011 financial year. The fixed compensation was distributed to the individual 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

In accordance with the resolution by the Annual General Meeting on 30 June 2010, the Supervisory Board as a whole receives additional variable compensation of 1% of the amount by which the equity of MBB Industries AG at the end of each financial year (end value) exceeds the equity at the beginning of the financial year (starting value) starting from the 2010 financial year. In each case, equity comprises the items set out in section 266 (3) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets that have a market price must be recognised at the market price. This does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions during the year and repayments of equity must be added to this final value, whilst additions to the equity must be subtracted from it. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members of the Supervisory Board shall not be entitled to receive further variable remuneration until these negative amounts have been eliminated. However, the total of variable compensation plus meeting attendance fees for all Supervisory Board members must not exceed €100,000 per full financial year. The Supervisory Board received variable compensation of €10,796.86 in 2011.4. Related party transactions

4. Related party transactions

Related parties are considered to be those enterprises and persons with the ability to control the MBB Group or exercise significant influence over its financial and operating decisions.

4.1 Related persons

a) Managing Board and Supervisory Board

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

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

Persons with management duties, especially the members of the Managing Board and the Supervisory Board of MBB Industries AG, and their related parties in accordance with section 15a WpHG are obliged to disclose their transactions involving shares of MBB Industries AG or related financial instruments. Notifications of relevant transactions in 2011 are published on our website at www.mbbindustries.com.

4.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the Company and its subsidiaries are eliminated in the consolidation and are not shown in this notes and are of subordinate significance and typical of the industry.

Related companies are also considered to be those companies described as associated with the aforementioned related persons. Over the course of the year, Group companies conducted the following transactions with related companies and persons that do not belong to the Group:

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

In accordance with the framework agreement dated 30 December 2009, MBB Capital Management GmbH, Berlin, is compensated by MBB Industries AG every month for Dr. Christof Nesemeier's Managing Board activities. In accordance with the framework agreement dated 30 December 2009, MBB Capital GmbH, Münster, is compensated by MBB Industries AG every month for Gert-Maria Freimuth's Managing Board activities.

Please refer to the above information for the amounts of the variable and fixed remuneration

5. Employees

The average number of employees in continuing operations in the 2011 and 2010 financial years are broken down as follows.

Average number of employees	2011 Headcount	2010 Headcount
Technical Applications	189	186
Industrial Production	378	371
Trade & Services	133	101
Total	**700**	**658**

As at the reporting date	31 Dec. 2011 Headcount	31 Dec. 2010 Headcount
Technical Applications	207	178
Industrial Production	385	383
Trade & Services	122	104
Total	**714**	**665**

6. Auditor's fees

The auditor's fees recognised in the 2011 financial year are broken down as follows:

	2011 € thou
Audit services	148.5
Tax consulting services	9.0
Total	**157.5**

7. Events after the balance sheet date

On 11 January 2012, MBB Industries AG resolved to utilise the authorisation granted by the Annual General Meeting on 30 June 2010 to purchase treasury shares in accordance with section 71 (1) no. 8 AktG. As part of a share buy-back programme running from 12 January 2012 to 10 February 2012, MBB Industries AG purchased 144,201 treasury shares, corresponding to 2.18% of the share capital, on the stock exchange via a bank at an average price of €6.9347, giving a total purchase price of €999,996.67. In accordance with section 71b AktG, the Company has no rights arising from treasury shares, and in particular no dividend or voting rights, meaning that the number of shares with actual voting and dividend rights has decreased to 6,455,799. In accordance with section 21 ff. WpHG, the treasury shares held by the Company are allocable to the majority shareholder. MBB Capital Group GmbH, Gert-Maria Freimuth and Dr. Christof Nesemeier therefore informed the Company on 13 February 2012 that, including these treasury shares, they now each held 75.68% of the voting rights.

On 9 March 2012, MBB Industries AG acquired all of the shares of CLAAS Fertigungstechnik GmbH, Beelen, from CLAAS KGaA mbH. The legal transfer is scheduled for the second quarter of 2012 once the condition precedent no longer applies. CLAAS Fertigungstechnik GmbH is a leading international plant engineering company with a focus on production technology for the automotive industry and other sectors. The company, which has around 270 employees and generated revenue of around €100 million in 2011, will trade as MBB Fertigungstechnik GmbH in future.

8. Other financial obligations

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

9. Contingent liabilities

There is a sub-participation relationship (in the form of phantom shares) with the managing directors of the Polish company Hanke Tissue Sp. z o.o., Kostrzyn, Poland. The sub-participant is entitled to 3% of the company’s net profit and of any proceeds on disposal or dissolution.

MBB Industries AG has submitted an absolute guarantee totalling €350 thousand to the acquirer to hedge any warranty risks in connection with the disposal of a second-tier subsidiary. In accordance with the agreement, the guarantee was reduced to €75 thousand as at 31 December 2008. The remaining amount expires 60 months from the transfer date. The Managing Board does not expect the guarantee to be utilised.

10. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, MBB Industries AG is required to submit a declaration on the extent to which the recommendations contained in the Corporate Governance Code of the German Government Commission have been complied with. The Managing Board and the Supervisory Board submitted the latest version of this declaration on 26 March 2012.

11. Responsibility statement

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

Berlin, 26 March 2012

Dr. Christof Nesemeier
Chairman of the Managing Board

Gert-Maria Freimuth
Member of the Managing Board

List of shareholdings as at 31 December 2011

Entity	Registered Office	Share of capital	Currency	Equity thou NC	Earnings thou NC
Delignit AG	**Blomberg**	**76.08%**	**EUR**	**9,183**	**294**
Blomberger Holzindustrie					
B. Hausmann GmbH & Co KG	Blomberg	*100.00%*	EUR	-1,122	559
Cildro Plywood Srl.	Drobeta Turnu Severin	*49.00%*	RON	13,785	-1,645
Cildro S.A.*	Drobeta Turnu Severin	*42.90%*	RON	27,081	-3,222
Cildro Service Srl.*	Drobeta Turnu Severin	*100.00%*	RON	-1,078	228
Hausmann Verwaltung GmbH	Blomberg	*100.00%*	EUR	102	1
OBO Modulan GmbH	**Stadthagen**	**100.00%**	**EUR**	**134**	**-3**
OBO-Werke GmbH & Co KG	Stadthagen	*100.00%*	EUR	1,216	155
OBO Industrieanlagen GmbH	Stadthagen	*100.00%*	EUR	228	37
OBO Verwaltung GmbH	Stadthagen	*100.00%*	EUR	35	1
Hanke Tissue Sp. z o.o.	**Küstrin**	**100.00%**	**PLN**	**34,884**	**6,839**
DTS IT AG	**Herford**	**80.00%**	**EUR**	**1,818**	**-383**
DTS Systeme GmbH	Herford	*100.00%*	EUR	1,098	396
ICSMedia GmbH	Münster	*100.00%*	EUR	450	44
eld datentechnik GmbH	Fellbach	*100.00%*	EUR	637	12
DTS Beteiligungen Verwaltungs GmbH	Herford	*100.00%*	EUR	28	0
CT Formpolster GmbH	**Löhne**	**100.00%**	**EUR**	**754**	**-185**

* Amounts refer to the financial statements of 31 Dezember 2010.

Auditor's report

"We have audited the consolidated financial statements prepared by MBB Industries AG comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the summarised management report and Group management report for the period from 1 January 2011 to 31 December 2011. The preparation of the consolidated financial statements and the summarised management report and Group management report in accordance with the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315 (1) HGB are the responsibility of the Managing Board of MBB Industries AG. Our responsibility is to express an opinion on the consolidated financial statements and the summarised management report and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit 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 summarised management report and Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the summarised 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 the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315 (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 summarised 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, 26 March 2012

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed
Dr. Hüchtebrock
Wirtschaftsprüfer

signed
Grote
Wirtschaftsprüfer

Declaration of conformity with the German Corporate Governance Code

The Managing Board and Supervisory Board of MBB Industries AG submitted the last declaration of conformity in accordance with section 161 AktG on 15 March 2011. The following declaration updates this declaration of conformity and, as previously, relates to the German Corporate Governance Code (hereinafter also the "Code") in the version dated 26 May 2010.

The Managing Board and Supervisory Board of MBB Industries AG hereby confirm that they have complied with and continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code with the following exceptions:

- Section 3.8: D&O insurance: The D&O insurance policy for the members of the Managing Board and the Supervisory Board does not provide for a deductible. We are confident that our executive bodies and employees exercise their duties with the greatest care and diligence. A deductible for the Managing Board will be introduced after the current contracts expire on 1 July 2012. In light of the level of the fixed remuneration paid to the members of the Supervisory Board, we do not consider a deductible for the Supervisory Board to be appropriate.
- Section 5.3: Supervisory Board committees: As the Supervisory Board of MBB Industries AG consists of three members, no committees can be formed. We consider the number of Supervisory Board members to be adequate in light of the size and importance of the Company.
- Section 5.4.1: An age limit is not specified for the members of the Supervisory Board. In light of the age of the Supervisory Board members and their remaining term of office, we do not believe there to be any reason to introduce such a limit.
- Section 7.1.2: Publications: The consolidated financial statements and interim financial reports are published in accordance with the statutory periods of limitation and those imposed by Deutsche Börse. As an industrial holding company, MBB Industries is required to consolidate a large number of individual companies, as well as regularly performing first-time consolidation. As such, compliance with the periods proposed by the German Corporate Governance Code would lead to significantly increased expense for the Company.

Düsseldorf, 26 March 2012

Dr. Peter Niggemann
Chairman of the Supervisory Board

Dr. Christof Nesemeier
Chairman of the Managing Board

Corporate Governance Report

Shares held by members of executive bodies

Managing Board	Number of shares	Equity interest
As at 31 Dec. 2011		
MBB Capital Management GmbH	2,425,500	*36.75%*
MBB Capital GmbH	2,425,500	*36.75%*

MBB Capital Management GmbH, Berlin, held 36.750% of the voting rights as of 31 December 2011 (2,425,500 voting rights). MBB Capital GmbH, Münster, also held 36.750% of the voting rights as of 31 December 2011 (2,425,500 voting rights). The shares in both of the aforementioned companies are wholly owned by MBB Capital Group GmbH, Münster, meaning that this company indirectly held 73.500% of the voting rights (4,851,000 voting rights). Gert-Maria Freimuth and Dr. Christof Nesemeier each hold 50% of the shares in MBB Capital Group GmbH, meaning that they held 73.500% of the voting rights jointly and indirectly (4,851,000 voting rights).

Supervisory Board	Number of shares	Equity interest
Dr. Peter Niggemann	30,000	*0.455%*
Dr. Jan C. Heitmüller	10,000	*0.152%*
Dacapo 2 GmbH	60,000	*0.909%*
Dr. Matthias Rumpelhardt	2,000	*0.030%*

Dr. Matthias Rumpelhardt is the owner and managing director of Dacapo 2 GmbH.

Persons with management responsibilities, and in particular members of the Managing Board and Supervisory Board of MBB Industries AG and close relatives of these persons, are required in accordance with section 15a WpHG to disclose transactions in shares of MBB Industries AG or financial instruments based on these shares. Notifications of relevant transactions in 2011 are published on our website at www.mbbindustries.com.

Share buy-back programme 2012 (after the balance sheet date)

On 11 January 2012, the Managing Board exercised its right to purchase treasury shares in accordance with section 71 (1) no. 8 AktG on the basis of the authorisation granted by the Annual General Meeting on 30 June 2010. The share buy-back was announced on 11 January 2012 in accordance with Article 4 (2) of Regulation (EC) No. 2273/2003 and was scheduled to run until 29 February 2012. Under the terms of the share buy-back, the programme was to end as soon as shares with a total value of €1,000,000.00 had been purchased. The maximum price per share was set at €7.50, and no more than 10% of the total share capital (660,000 shares) were to be purchased. A total of 144,201 treasury shares were purchased in the period up to and including 10 February 2012; this corresponds to 2.18% of the share capital. The average purchase price per share was €6.9347, meaning that the shares were purchased for a total price of €999,996.67 (excluding ancillary costs). MBB Industries AG purchased the shares on the stock exchange via a bank it commissioned for this purpose.

In accordance with section 71b AktG, the Company has no rights arising from treasury shares, and in particular no dividend or voting rights, meaning that the number of shares with actual voting and dividend rights has decreased to 6,455,799. In accordance with section 21 ff. WpHG, the treasury shares held by the Company are allocable to the majority shareholder. MBB Capital Group GmbH, Gert-Maria Freimuth and Dr. Christof Nesemeier therefore informed the Company on 13 February 2012 that, including these treasury shares, they now each held 75.68% of the voting rights.

Composition of the Supervisory Board

The members of the Supervisory Board must, as a whole, boast practical experience in the area of company management, industry expertise, and business and legal knowledge. The Supervisory Board fulfils this objective in its current composition.

Auditor

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

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

Managing Board remuneration

The remuneration of the Managing Board is composed of a fixed and a variable component. The members of the Managing Board are also reimbursed for documented expenses. D&O insurance with no deductible and accident insurance have been concluded. No additional benefits (e.g. retirement benefits, direct benefits, severance payments) have been agreed. Similarly, there are no agreements governing the early or regular termination of a member's Managing Board mandate in the event of a change of control at the Company.

In the 2011 financial year, the amount expensed for fixed remuneration was as follows:

- Dr. Christof Nesemeier, Chairman of the Managing Board,
  contractual partner of MBB Capital Management GmbH,
  €258,000.00
- Gert-Maria Freimuth, Deputy Chairman of the Managing Board,
  contractual partner of MBB Capital GmbH, €234,000.00

The Chairman of the Managing Board, Dr. Christof Nesemeier, also received personal Supervisory Board remuneration from Delignit AG for 2011 in the amount of €16,000.00, while the Deputy Chairman of the Managing Board, Gert-Maria Freimuth, received personal Supervisory Board remuneration from Delignit AG in the amount of €12,000.00.

For the 2011 financial year, the management of MBB Industries AG is entitled to variable remuneration totalling 9.0% of the amount by which the equity of MBB Industries AG at the end of the financial year (final value) exceeds the equity at the start of the financial year (initial value). In each case, equity consists of the items comprises the items set out in section 266 (3) HGB. The calculation of the initial value and final value is based on the latest audited annual financial statements with the following modifications:

Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions and repayments of equity are added to the final value, while contributions to equity are deducted. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members of the Managing Board shall not be entitled to receive further variable remuneration until these negative amounts have been eliminated.

The bonus payable to the members of the Managing Board is limited to 5% of the aforementioned final value. Any amount in excess of this 5% limit is carried forward to the next financial year and either distributed, carried forward again if the 5% limit is exceeded once more, or offset against corresponding losses.

The modified equity growth for the purposes of the aforementioned bonus system amounted to €1,079,686.48. The management was entitled to 9% of this amount as a bonus, i.e. €97,171.78. This was allocated to the individual members of the Managing Board as follows:

- Dr. Christof Nesemeier, Chairman of the Managing Board, contractual partner of MBB Capital Management GmbH, €24,292.12
- Gert-Maria Freimuth, Deputy Chairman of the Managing Board, contractual partner of MBB Capital GmbH, €24,292.12

The remainder of the bonus was allocated to the other members of management.

Supervisory Board remuneration

The members of the Supervisory Board receive a meeting attendance fee of €1,000.00. The Chairman of the Supervisory Board receives double this amount and the Deputy Chairman of the Supervisory Board receives one and a half times this amount. D&O insurance with no deductible has also been concluded for the members of the Supervisory Board. The members of the Supervisory Board are also reimbursed for documented expenses. Members of the Supervisory Board received fixed compensation totalling €18,000 in the 2011 financial year. The fixed compensation was distributed to the individual 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

In accordance with a resolution by the Annual General Meeting on 30 June 2010, the Supervisory Board is also entitled to variable remuneration totalling 1% of the amount by which the equity of MBB Industries AG at the end of the financial year (final value) exceeds the equity at the start of the financial year (initial value) for the first time in the 2010 financial year. In each case, equity comprises the items set out in section 266 (3a) HGB. The calculation of the initial value and final value is based on the latest audited annual financial statements with the following modifications:

Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions and repayments of equity are added to the final value, while contributions to equity are deducted. If the basis of calculation is negative in one or more financial years, the resulting negative amount is carried forward to the subsequent financial years and offset against future positive amounts until the negative amounts carried forward have been eliminated. Members of the Managing Board shall not be entitled to receive further variable remuneration until these negative amounts have been eliminated. The total of the variable remuneration and the attendance fees for all Supervisory Board members may not exceed €100,000.00 per full financial year.

The variable remuneration was allocated to the individual members of the Supervisory Board as follows:

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

The modified equity growth for the purposes of the aforementioned bonus system amounted to €1,079,686.48. The Supervisory Board is entitled to 1% of this amount as a bonus, i.e. €10,796.86. This is allocated to the individual members of the Supervisory Board as follows:

- Chairman, Dr. Peter Niggemann, €4,318.74
- Deputy Chairman, Dr. Jan C. Heitmüller, €3,239.06
- Member, Dr. Matthias Rumpelhardt, €3,239.06

Stock option plan/securities-oriented incentive systems

As in the previous year, no stock option plan or securities-oriented incentive systems were agreed in 2011.

Financial Calendar

Quarterly Report Q1/2012

31 May 2012

Annual General Meeting 2012

18 June 2012, 10:00 a.m.
at Ludwig-Erhard-Haus,
Fasanenstraße 85, 10623 Berlin

Half-Yearly Report 2012

31 August 2012

**Analysts' Conference
German Equity Forum
Frankfurt/Main**

12-14 November 2012

Quarterly Report Q3/2012

28 November 2012

End of the financial year

31 December 2012

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