MBB

ANNUAL REPORT 2013

MBB Industries AG, Berlin

MBB Industries in figures

Fiscal year	2011 IFRS Continuing operations	2012 IFRS	2013 IFRS	Δ 2013 / 2012
Earnings figures	**€ thou**	**€ thou**	**€ thou**	**%**
Revenue	**109,627**	**204,876**	**228,197**	**11.4**
Operating performance	109,761	205,641	228,350	11.0
Total performance	113,543	211,934	233,333	10.1
Cost of materials	-71,406	-134,562	-145,390	8.0
Staff costs*	-23,536	-41,165	-50,249	22.1
EBITDA*	9,240	24,562	22,726	-7.5
*EBITDA margin**	8.4%	11.9%	10.0%	-16.0
EBIT*	5,673	19,686	17,541	-10.9
*EBIT margin**	5.2%	9.6%	7.7%	-19.8
EBT*	4,599	18,143	17,164	-5.4
*EBT margin**	4.2%	8.8%	7.5%	-14.8
Earnings from continuing operations*	**3,297**	**13,612**	**13,471**	-1.0
Earnings from discontinued operations	39	0	0	0.0
Consolidated net profit after non-controlling interests*	**3,336**	**13,612**	**13,471**	-1.0
Number of shares	6,600,000	6,600,000	6,600,000	0.0
eps in €*	0.51	2.11	2.09	-0.9
Dividend in € thou	2,841	3,228	3,630	12.5
Dividend per share in €**	0.44	0.50	0.55	10.0

Figures from the statement of financial position	**31 Dec € thou**	**31 Dec € thou**	**31 Dec € thou**	**%**
Non-current assets	37,232	46,573	59,354	27.4
Current assets	48,565	102,079	117,852	15.5
there of cash and equivalents***	30,278	45,234	54,930	21.4
Issued capital (share capital)	6,600	6,456	6,456	0.0
Other equity	39,100	50,955	61,333	20.4
Total equity	45,700	57,411	67,789	18.1
Equity ratio	53.3%	38.6%	38.3%	-0.8
Non-current liabilities	21,987	37,733	48,150	27.6
Current liabilities	18,110	53,508	61,267	14.5
Total assets	85,797	148,652	177,206	19.2
Net debt (-) or net cash (+)***	13,654	31,464	23,843	-24.2

Employees	714	998	1,088	9.0

* Due to first-time application of IAS 19 (rev. 2011) prior year figures have changed compared with the figures published in the Annual Report 2012.
** Based on the average number of shares in circulation at the publication date.
*** This figures includes physical gold stocks.

Contents

Welcome Note from the Managing Board

Dear Shareholders,

MBB again confirmed its long-term growth path in the 2013 financial year, with revenue reaching a new high of more than €228 million. The reasons for this development include the superbly positioned portfolio of companies, some of which have belonged to the Group for more than ten years, the excellent management of these companies and the commitment of our more than 1,000 employees around the world, to whom I would like to express my gratitude.

In our view, the growth that is reflected in our record revenue of more than €228 million in 2013 serves as a benchmark for MBB's future development. To this end, MBB also made a record level of investment in its companies in the past year. At our Polish subsidiary Hanke Tissue, more than €10 million was invested in a new paper machine that will double the company's existing production capacities in the medium term. MBB Fertigungstechnik has founded MBB Technologies (China) Ltd. in the metropolis of Changzhou, thereby giving it proximity to its customers with a local production site in one of the world's largest growth markets. The investments of €1.5 million at Delignit AG included commissioning a new high compaction press. DTS, OBO and CT Formpolster also invested in efficiency improvements in 2013. Together, we are planning to continue our programme of investment in our companies in 2014 on the basis of the solid foundations that are already in place and aided by extremely low financing costs.

In addition to this organic growth, the MBB Group expanded as a result of acquisitions in 2013. We would like to welcome DHK automotive GmbH and HTZ Holztrocknung GmbH, Oberlungwitz, to the MBB Group, where they will supplement the technological product range and expand the capacity of our subsidiary Delignit. DHK is one of the leading manufacturers of wood-based car interiors and has developed a procedure for producing honeycomb vehicle parts based on plant fibres under the dunacore® brand. Following this acquisition, Delignit AG expects to generate revenue in excess of €40 million in 2014 for the first time in its more than 200-year history.

We intend to press ahead with our growth by acquiring attractive companies in 2014. With this approach, a solid financial footing and investments in profitable future growth, MBB expects to achieve record revenue of €250 million in 2014.

As shareholders, you participate directly in MBB's positive development through the share price, which rose by more than 38% in 2013. Thanks to the higher level of market capitalisation and our presence at capital market conferences and roadshows, institutional investors are also becoming increasingly interested in MBB's shares. We are delighted that our work has been reflected in continued share price growth in 2014 and the target prices issued by analysts. Another way in which you participate in MBB's success is the dividend, which we are raising once again. The Managing Board and Supervisory Board will propose a dividend of €0.55 per share to the Annual General Meeting. This represents a 10% increase on the previous year and the highest dividend in the history of MBB Industries AG.

I hope that you will continue to support the development of our Company in the long term as shareholders of MBB. As always, we will work hard and with an earnings-oriented approach in order to create value for our customers, our companies, our employees and you, our shareholders.

Yours faithfully

Dr. Christof Nesemeier
CEO

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 and advised and monitored the Managing Board in accordance with the tasks and responsibilities required of it by law, the Articles of Association and the provisions of the German Corporate Governance Code. The Supervisory Board was informed about the strategy, business policy and planning, 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 Managing Board, through the regular information provided by the Managing Board on the course of business, and at the Supervisory Board meetings held on 20 March, 17 June, 20 September and 29 November 2013, which were attended by all of the members of the Supervisory Board and the 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.

On 14 February 2013, Gert-Maria Freimuth informed the Managing Board and the Supervisory Board that he intended to step down from the Managing Board at the 2013 Annual General Meeting and join the Supervisory Board. At the same time, Dr. Jan Heitmüller informed the Managing Board and the Supervisory Board that he intended to step down from the Supervisory Board at the 2013 Annual General Meeting. With a large majority of the votes cast, the Annual General Meeting on 17 June 2013 elected Gert-Maria Freimuth to the Supervisory Board until the end of the Annual General Meeting resolving the approval of the actions of the members of the Supervisory Board for the 2015 financial year. The Supervisory Board subsequently elected Gert-Maria Freimuth as the Chairman of the Supervisory Board.

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 and explained 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.mbb.com.

The Supervisory Board consists of three members. The Supervisory Board considers the number of members to be adequate in light of the size of the Company. For the same reason, the formation of committees is considered to be inappropriate, and the Supervisory Board again refrained from doing so in the 2013 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 2013 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 2013 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 2013 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 17 March 2014.

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 17 March 2014:

"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 MBB 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 17 March 2014. All of the Supervisory Board's questions were answered in full by the auditor. The Supervisory Board received the audit report in good time before the meeting. 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 17 March 2014, 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, 17 March 2014

The Supervisory Board

Gert-Maria Freimuth
Chairman

Management Report and Group Management Report

MBB Industries AG (hereinafter also “MBB-AG”) is a family-owned, medium-sized corporation 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).

After MBB Fertigungstechnik strengthened the MBB Group in 2012, the companies DHK automotive GmbH and HTZ Holztrocknung GmbH, both domiciled in Oberlungwitz, joined the MBB Group as new subsidiaries of Delignit AG in the 2013 financial year.

In 2013, the MBB Group reported consolidated revenue of €228.2 million after €204.9 million in the previous year. The MBB Group and its portfolio companies generated a consolidated net profit of €13.5 million in 2013 compared with €13.6 million in the previous year.*

The MBB Group reported net cash (cash and short-term/long-term securities less liabilities to banks) of €23.8 million as of 31 December 2013; this figure includes physical gold holdings in the amount of €1.6 million and is €8.1 million lower than at the end of 2012. Despite the payment of a dividend, the acquisition of the aforementioned new portfolio companies and the highest level of net investment in the portfolio in MBB’s history, total liquidity including gold amounted to €54.9 million as of 31 December 2013.

In 2013, a dividend of €3.2 million (€0.50 per share) was distributed for the 2012 financial year. The figure for the previous year was €0.44 per share or €2.8 million in total. The MBB Group’s equity increased from €57.4 million in the previous year to €67.8 million. The equity ratio remained essentially unchanged at 38.3%.

MBB’s consolidated revenue, liquidity, equity and dividend all reached historical highs once again in 2013. For 2014, MBB is forecasting higher revenue and a similar operating result to 2013.

Business and economic conditions

Strategic orientation

MBB-AG is a medium-sized, family-owned industrial holding company that generates superior revenue and value growth with German technology and engineering expertise. This success is based on five factors:

Medium-sized

Our companies are organised in units of between 50 and 300 employees and belong to the category of small and medium-sized enterprises in Germany known as the Mittelstand. Tradition, regional identity and a commitment to training, employees and the common good are key pillars of our actions.

Family-owned

Gert-Maria Freimuth (Chairman of the Supervisory Board) and Dr. Christof Nesemeier (CEO) formed the company in 1995. MBB is confident that the personal commitment and continuity of its management team are key factors in its success, giving the company a clear sense of reliability and identity.

German technology and engineering expertise

MBB’s companies can boast expertise in their respective markets dating back several centuries in some cases. MBB actively pursues globally superior technology and engineering expertise as a way of reinforcing its position on the international markets. In terms of training, the availability of qualified employees and its infrastructure, Germany offers conditions for the development of companies with a technological focus that cannot be found in any other location in the world.

MBB

MBB stands for Messerschmitt-Bölkow-Blohm. The company was famously synonymous with German engineering following the Second World War. Today, MBB Industries AG is the only independent company to have emerged directly from the original MBB Group. We are proud of this fact and are committed to continuing to realise extraordinary technological achievements in future.

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* Some of the comparative figures for 2012 have changed compared with the figures published in the 2012 Annual Report due to the first-time application of IAS 19 (rev. 2011) in conjunction with IAS 8.

Growth

The predecessor to the current MBB Group was founded in 1995. 100 employees from a former MBB subsidiary had joined by 1997, and revenue had reached €37 million by the time of the IPO in 2006. In the past financial year, MBB generated revenue of €228 million with its more than 1,000 employees. MBB intends to continue on its ambitious growth path in future, both organically and by acquiring companies.

Market development

MBB concentrates its efforts on the German-speaking countries. Nevertheless, the Company has an international presence and experience thanks to its foreign portfolio companies and its global market activities.

The improvement in the economy and economic conditions as a result of fiscal and monetary policy measures, particularly on the part of governments and national banks in developed economies, have led to increased confidence, a higher propensity to invest and improved sentiment among households and companies since 2012. Commercial banks have also become increasingly willing and able to finance company acquisitions due to the sustained low level of interest rates and the expansive provision of liquidity by the central banks. At the same time, increased demand means greater competition, leading to significantly higher purchase price expectations on the part of some companies.

The economic upturn is also contributing to the solid development of the MBB Group's portfolio companies, and hence of the Group as a whole. For Germany, the OECD is forecasting GDP growth of 1.7% in 2014 and 2.0% in 2015, accompanied by a further fall in unemployment to 5.4% and 5.2% respectively. Inflation is expected to remain low on the whole, but the tension on the employment market is set to lead to a further rise in wages as well as problems concerning the availability of qualified employees. However, Germany's competitiveness will remain at a high level, meaning that moderately positive import development and a substantial upturn in domestic demand are anticipated. All in all, these factors are expected to lead to accelerated economic growth in Germany, which would benefit the MBB Group on account of its strong focus on Germany as a production and sales location.

In addition to this national view, the crisis in the euro zone and further development in China will have a material influence on the MBB Group's development. Renewed tension on the financial markets in the euro zone or the intensification of the conflict between Russia and the West could lead to a downturn in exports and investments and send unemployment in the affected euro zone countries soaring. Meanwhile, developments in China – which is continuing to grow at an extremely high level – should be observed carefully now that environmental pollution, the proportion of the total financing volume attributable to the shadow banking system and the political conflict with Japan have reached a magnitude that could seriously jeopardise the country's development and growth.

The situation on the commodities markets is continuing to present significant challenges for the management of our portfolio companies. We are forecasting 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 challenge that is subject to a certain time delay and is often not achieved in full. The latest conflict with Russia over the invasion of Crimea may also become extremely relevant when it comes to the development of commodities prices.

In the automotive industry, which is important to the Group, Asia is becoming an increasingly relevant market. As a logical response to this development, MBB founded a dedicated subsidiary, MBB Technologies (China) Ltd., Changzhou, in 2013 in order to increase its proximity to the corresponding sales markets and customers. While passenger car sales in Europe have stabilised at a low level, the US market is picking up again and the Chinese market is continuing to grow. With well in excess of 20 million vehicles sold and the highest growth rates, the outlook for China remains attractive. The country is expected to retain its position as the largest and most attractive individual market in the world, with passenger car sales in 2020 forecast at 33 million compared with 24 million in Europe and 18 million in the USA. If these figures prove to be accurate, the recent downturn in passenger car sales in Europe would offer interesting catch-up potential. In addition to volume growth, technological developments – such as new drive concepts and the use of new, weight-reducing materials – will become increasingly important. This is likely to be fundamentally beneficial for MBB, as the German premium manufacturers who number among MBB's key customers will play a leading role in this technological development.

In the individual sales markets that are relevant 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 for capital goods and loading area equipment in the automotive industry. We also expect to see constant demand for the foam business of CT Formpolster. All in all, we can say that portfolio diversification is protecting the MBB Group from turbulence in individual markets, while positive developments on the sales markets are more than offsetting the rise in commodities prices.

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 significant and will therefore continue to present considerable challenges for the MBB Group's financial management in 2014.

The MBB Group counteracts developments on the financial markets with a conservative financing structure that is characterised by a net cash position and a high level of liquidity. This allows it to conduct company acquisitions independently at all times, as well as ensuring that it can benefit from potential 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 to a limited extent – but only when they meet the same criteria as MBB-AG applies to the acquisition of German Mittelstand companies.

Market position

MBB-AG has been operating successfully in the German Mittelstand investment market for more than 18 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, and banks through to 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 industrial holding companies for German SMEs with revenue in excess of €10 million. This market position has improved further as public awareness of the Company has increased.

The individual MBB companies are established SMEs and are characterised by a solid asset position and sustainable growth. Companies such as MBB Fertigungstechnik, Hanke and Delignit are leaders in their respective markets.

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 71.4% stake in MBB–AG held by the Company's founders as of 31 December 2013 serves to ensure MBB's sustainable development with a medium-sized, entrepreneurial focus.

Portfolio companies

MBB-AG had a total of six active direct portfolio companies at the end of the 2013 financial year. As these portfolio companies themselves each have subsidiaries and sub-subsidiaries, the consolidated group as of 31 December 2013 consisted of MBB-AG and a total of 19 companies. 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%)
  - DHK automotive GmbH (100 %)
  - HTZ Holztrocknung GmbH (100 %)
  - Delignit Immobiliengesellschaft mbH (100 %)
- Hanke Tissue Sp. z o.o. (100%)
- CT Formpolster GmbH (100%)
- MBB Plastics GmbH (früher 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%)
- MBB Technologies GmbH (100%)
  - MBB Fertigungstechnik GmbH (100%)
    - MBB Technologies (China) Ltd. (100%)

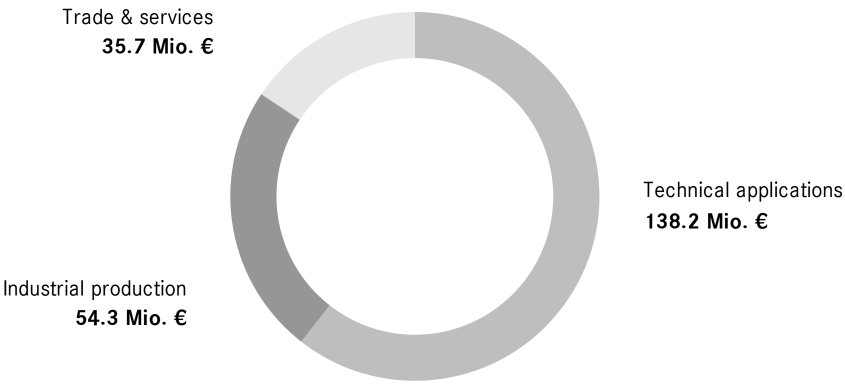
On 3 June 2013, **MBB Technologies (China) Ltd.** was formed as a subsidiary of MBB Fertigungstechnik GmbH.

Delignit Immobiliengesellschaft mbH was formed on 1 August 2013 as a shell company with no operating activities in its own right.

On 1 October 2013, MBB Industries AG obtained the economic ownership of all of the shares in **DHK automotive GmbH and HTZ Holztrocknung GmbH**, both of which are domiciled in Oberlungwitz, via Delignit AG for a purchase price of €1.00, including the assumption of financial liabilities in the amount of €1.7 million. The legal transfer took place on 18 November 2013 after the conditions precedent listed in the purchase agreement were met. The companies supplement the product range of Delignit AG and will boost the Technical Applications segment.

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 subsidiaries is not published in order to prevent the possibility of adverse effects on their business activities.



Revenue-distribution by segment 2013 in € million

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. The segment consists of the Delignit companies and the MBB Technologies Group.

The MBB Technologies Group is a leading international plant engineering company for welding and assembly systems for the automotive industry. It also provides services for tool manufacturing, innovative transport technologies for exact positioning and inline measuring systems. Other industries include general industry and clean technology. The assembly technology unit develops customer-specific systems for processing individual components or modules into finished products or several complex assemblies. It specialises in assembled camshafts, steering systems, drive shafts and clean technology. Expertise in the connection technology unit ranges from conventional thermal welding and cold metal transfer (CMT) for lightweight construction with a focus on chassis components, instrument panels and clean technology through to the production of heavy components and transport vehicles. In addition to its welding and assembly services, MBB Fertigungstechnik GmbH develops and produces project-specific special machinery for welding systems and production lines that customers cannot acquire elsewhere on the market and that are unique in terms of their form and specifications. In the 2013 financial year, the MBB Technologies Group generated external revenue of €103.0 million (previous year: €86.2 million from the date of first-time consolidation), thereby accounting for 45.1% (previous year: 42%) of MBB Industries AG's consolidated revenue.

The Delignit Group, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. It is a recognised development and project partner and series supplier for technology industries such as the automotive, rail and aviation sectors, as well as security technology. The products have special technical properties and are used in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology, among other things. The Delignit material is generally based on beech wood and is lifecycle carbon-neutral, making it ecologically superior to non-regenerative materials such as plastic or steel. Delignit's activities with wood-based materials accounted for 15.4% of the MBB Group's revenue in the 2013 financial year compared with 16.4% in the previous year. The Delignit Group's external revenue increased by 4.7%, from €33.6 million in 2012 to €35.2 million in 2013. Since 1 October 2013, Delignit has been strengthened by the addition of DHK automotive GmbH and HTZ Holztrocknung GmbH, both of which are domiciled in Oberlungwitz.

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.

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. These activities are concentrated around the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired by MBB-AG 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 in relation to revenue. For Hanke, 2013 was characterised by an investment of around €10 million in the new paper machine and infrastructure that is scheduled to go live in early 2014.

With external revenue of €23.5 million (2012: €22.2 million), Hanke accounted for 10.3% (2012: 10.8%) of the Group's total revenue.

CT Formpolster GmbH manufactures flexible polyether foams. The company's service portfolio extends from material and product development and foam 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, as well as products containing biomass. CT Formpolster GmbH's products are used as mattress and seating cores in the furniture, caravan and office sectors in particular. It also sells foam blocks to processing companies.

With external revenue of €19.1 million (2012: €18.5 million), CT Formpolster accounted for 8.4% (2012: 9.0%) of the Group's total revenue.

OBO is a global provider of polyurethane hard foam boards for tooling applications. With a market share of around 8%, it is one of the five leading providers in the industry. OBO has been part of the MBB Group since 2003. In particular, it supplies the model making industry, as well as automobile manufacturers, foundries and other processing companies directly.

In 2013, the portfolio company contributed 5.1% to the MBB Group's total revenue (2012: 5.5%). External revenue amounted to €11.6 million in the 2013 financial year, up 3.6% on the previous year (2012: €11.2 million).

Trade & Services

Trade & Services comprises the DTS Group, which consists of companies that provide specialist services or engage in retail business. The DTS Group is focused on cloud IT services. A dedicated data centre at its head office in Herford allows it to offer a wide range of traditional systems house services, such as the consulting, design, procurement, implementation and operation of IT environments, which are combined with IaaS, PaaS and SaaS cloud solutions (the latter with a focus on IT security).

The parent house DTS Systeme GmbH was formed in 1983 and is headquartered in Herford with offices in Bochum, Bremen, Berlin, Hanover and, since 1 January 2014, Hamburg, where it also operates a data centre. ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH has its own data centre and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services.

Since October 2011, eld datentechnik GmbH, Fellbach, a Germany-wide IT distributor specialising in IP access and storage technology, has been part of the DTS Group. This means that eld datentechnik GmbH provides vertical expansion for the service range of the other DTS subsidiaries.

In 2013, the DTS Group contributed €35.7 million to the MBB Group's revenue (2012: €32.7 million), corresponding to a share of 15.6% (2012: 15.9%).

Employees

MBB-AG had a total of eight employees at the end of 2013; 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, one salaried employee in Group accounting, one analyst and one lawyer in 2013.

The aim of the management of MBB-AG is to ensure the sustainable performance of the MBB Group. The four-man management team and the Supervisory Board cumulatively held more than 74% of the share capital of MBB-AG as of 31 December 2013. Appropriate fixed remuneration is supplemented by performance-based variable components each with an upper limit. There are no severance or pension agreements. A stock option plan for the employees of MBB Industries AG was established for the first time in 2013.

The MBB Group had an average of 1,058 employees in the 2013 financial year compared with an average of 921 in the previous year.

As of 31 December 2013 (2012), the MBB Group had a total of 1,088 employees (previous year: 998) in the following segments:

Technical Applications: 565 employees (previous year: 486)

Industrial Production: 407 employees (previous year: 382)

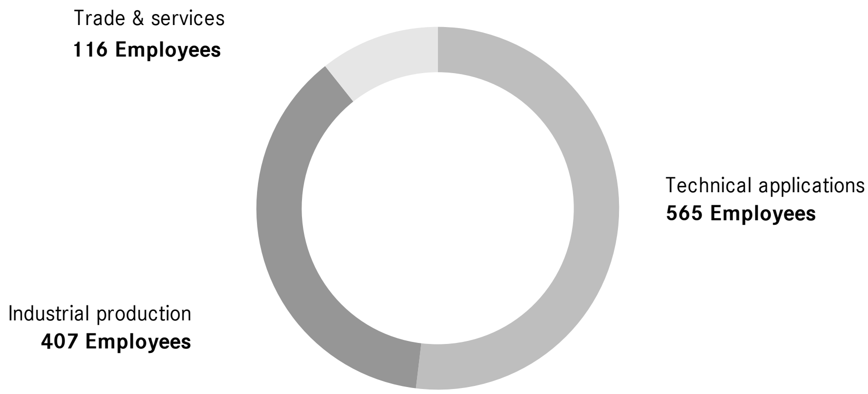
Trade & Services: 116 employees (previous year: 130)

The number of employees by country as of 31 December 2013 (2012) was as follows:

803 employees in Germany (previous year: 747)

268 employees in Poland (previous year: 251)

17 employees in China (previous year: 0)



Headcount by segment as at 31 Dec 2013

MBB considers supporting and challenging of 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 2013 will increase in the 2014 financial year due to the growing business volume, although developments may vary across the individual portfolio companies due to capacity considerations. MBB's subsidiaries have a history of providing training. They had a total of 55 trainees in the German dual system as of 31 December 2013. The proportion of employees with university degrees has increased significantly in particular since MBB Fertigungstechnik GmbH has been part of the Group. In order to achieve its planned growth, the MBB Group permanently strives to improve the quality of its workforce through training and further education. Among other things, MBB Technologies is planning to construct a new training workshop in 2014. Qualified employees are also being targeted externally to a greater extent at present.

Net assets, financial position and results of operations

MBB-AG and the MBB Group can look back on a successful and highly profitable 2013 financial year. There are strong foundations for further revenue growth in 2014.

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. 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 €67.8 million in 2013 and the turnaround from net debt of €13.8 million in 2005 to net cash of €23.8 million in 2013 – underlines the sustainable success of our business model and the high quality of our investments. This means that the MBB Group can be expected to continue to make new acquisitions with a view to achieving value growth.

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

MBB-AG

MBB-AG generated revenue of €1.2 million from the performance of management services for Group companies in 2013 (previous year: €1.0 million). Together with revenue from third parties and other operating income, this resulted in total operating revenue of €2.1 million (previous year: €2.3 million).

This was offset by expenses for purchased services in the amount of €1.1 million (previous year: €1.1 million), which related to the remuneration paid to the management of MBB-AG.

After staff costs and overheads, earnings before interest, taxes, depreciation and amortisation and income from securities totalled €-0.4 million (previous year: €-0.1 million).

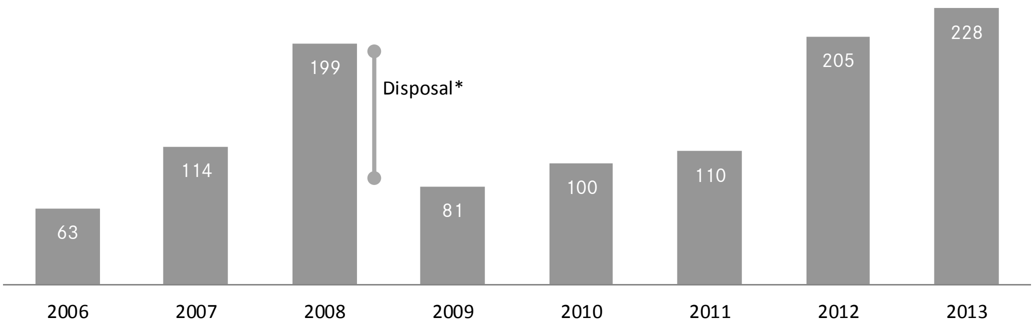
MBB-AG also generated investment income of €0.9 million, income from securities in the amount of €0.7 million, and interest and other income totalling €0.2 million. After depreciation and amortisation expense of €0.1 million, interest expense of €0.1 million and tax income of €0.2 million, this resulted in a net profit for the year of €1.5 million (previous year: €1.2 million).

As in the previous years, a dividend was distributed in the 2013 financial year. This amounted to €0.50 per share or €3.2 million in total. As a result, the equity of MBB-AG declined to €35.1 million at year-end (previous year: €36.9 million), while the equity ratio remained consistently high at 87.9%. Including investment securities and physical gold holdings, MBB-AG had cash and cash equivalents of €11.0 million at the end of the financial year (previous year: €12.1 million). Net cash and cash equivalents fell to €7.2 million (previous year: €8.3 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 2013 are prepared in accordance with the International Financial Reporting Standards (IFRS) as required to be applied in the European Union.*

The consolidated revenue of the MBB Group amounted to €228.2 million in the 2013 financial year after €204.9 million in the previous year. At the same time, total operating revenue increased from €211.9 million in 2012 to €233.3 million in 2013. Other operating income in the amount of €4.4 million includes claims against the Special Economic Zone in Poland, income from the reversal of provisions, income from the sale of shares, income from exchange differences and other income. The bargain purchase in the amount of €0.6 million from the first-time consolidation of DHK automotive GmbH and HTZ Holztrocknung GmbH is reported separately under other income.



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

* Reimelt Henschel €104m revenues in 2008 (discontinued in 2009)

The ratio of the cost of materials to total operating performance declined slightly, from 65.4% to 63.7%. By contrast, staff costs as a percentage of total operating performance increased from 20.0% in 2012 to 22.0% in 2013.

EBITDA (earnings before interest, taxes, depreciation and amortisation) amounted to €22.7 million, down slightly on the prior-year figure of €24.6 million.

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* Some of the comparative figures for 2012 have changed compared with the figures published in the 2012 Annual Report due to the first-time application of IAS 19 (rev. 2011) in conjunction with IAS 8. The resulting effects are presented on page 48 and page 54.

At €5.2 million, depreciation and amortisation was higher than in the previous year (€4.9 million). Investments in non-current assets totalled €13.3 million in 2013 after €12.7 million in the previous year.

The MBB Group reported EBIT (earnings before interest and taxes) of €17.5 million in the past financial year, down on the prior-year figure of €19.7 million.

Adjusted for a financial result of €-0.4 million, EBT (earnings before taxes) amounted to €17.2 million (previous year: €18.1 million) or 7.5% (previous year: 8.8%) of total operating performance.

Income tax amounted to €3.2 million, while other taxes totalled €0.1 million.

The consolidated net profit after minority interests of €13.5 million was down slightly on the prior-year figure of €13.6 million.*

This contributed towards the equity of €67.8 million reported in the consolidated balance sheet as of 31 December 2013 (previous year: €57.4 million), meaning that the MBB Group had an equity ratio of 38.3% based on total assets of €177.2 million (previous year: 38.6%). Accordingly, the Managing Board is of the opinion that the MBB Group continues to enjoy a solid equity base.

As of 31 December 2013, the MBB Group had financial liabilities in the amount of €31.1 million (previous year: €13.8 million) and cash, short-term and long-term securities and physical gold (€1.6 million) totalling €54.9 million (previous year: €45.2 million). Net cash and cash equivalents (cash, short-term and long-term securities and physical gold less liabilities to banks) declined to €23.8 million after €31.5 million in the previous year. 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 timely intervention as necessary.

Remuneration report

Managing Board

The remuneration of the Managing Board is composed of a fixed and a variable component. The Managing Board is also reimbursed for expenses upon presentation of receipts. D&O insurance with a deductible and accident insurance have also 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 2013 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 (3 A) 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 5,0% 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 a diminishing percentage of the basis of calculation. This percentage is dependent on the basis of calculation and amounts to: 9% up to €20,000,000; 4% between €20,000,001 and €30,000,000; 2% between €30,000,001 and €40,000,000; 1% between €40,000,001 and €50,000,000; and 0.5% over €50,000,001.

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* Some of the comparative figures for 2012 have changed compared with the figures published in the 2012 Annual Report due to the first-time application of IAS 19 (rev. 2011) in conjunction with IAS 8.

Stock options

In December 2013, MBB Industries AG introduced a stock option plan as consideration in order to reinforce the long-term nature of its investment character as a family-owned, medium-sized group listed in the Prime Standard of the Frankfurt Stock Exchange. The business model of MBB Industries AG is largely based on the use of qualified, committed managers. This model is intended to incentivise them to increase the value of MBB Industries permanently and sustainably while ensuring that they remain with the Company in the long term.

The nature and extent of the plan may be redefined every year. Accordingly, the information below relates solely to the plan that was established on 15 December 2013. Up to 50,000 options were offered for the 2013 financial year. The offer was taken up by the CEO, Dr. Christof Nesemeier (20,000 options), and senior employees of the Company (30,000 options). The beneficiaries paid €1.04 for each option, resulting in a total cash inflow for the Company of €52,000.00. In connection with the introduction of the stock option plan, the upper limit (cap) for the existing bonus provision was amended to the disadvantage of the beneficiaries. As compensation for the less favourable conditions introduced as a result, the Managing Board was provided with a further 40,000 stock options and the authorised members of management were provided with a further 40,000 stock options free of charge. The employees of MBB Industries AG also received a total of 5,000 additional stock options free of charge. All in all, 135,000 stock options were issued.

The reference price (P1) was set at €20.80. If the average share price for the 90 days prior to 15 December 2016 falls below the reference price plus dividends paid and assumed to have been reinvested (performance price P2), the option is extinguished (knock-out). If performance price P2 on this date is higher than the reference price, the intrinsic value (IV) of the option is fixed in accordance with the formula (P2-P1)/P2=IV and the option term continues until 15 December 2018. On 15 December 2018, the option is settled at its allocation value (AV) based on the share price for the 90 days prior to this date plus dividends paid and assumed to have been reinvested (performance price P3) in accordance with the formula AV=IV*P3. This figure is multiplied by the number of options and converted into shares at the allocation value. MBB Industries AG then has the choice of delivering the shares or a corresponding cash payment.

Beneficiaries must be in a non-terminated employment or other service relationship with MBB Industries AG throughout the option term; if this is not the case, the options shall be extinguished without substitution. MBB Industries AG may agree to postpone the delivery date by one year, on one or more occasions, providing the service relationship remains in place.

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

Supervisory Board

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 2013.

A detailed description of the remuneration system and 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.

Controlling system

The MBB Group's systematic focus on increasing enterprise value is also reflected in its internal controlling system. The key performance indicator for the management, planning and controlling of operating activities, and hence the Group's results of operations, is EBITDA (earnings before interest, taxes, depreciation and amortisation). The Managing Board regularly analyses the development of EBITDA at the individual Group companies. The key performance indicator for controlling the Group's net assets and financial position is the net position of cash and cash equivalents and financial liabilities (net cash and net debt). This performance indicator is recorded on a daily basis in order to allow the Company to safeguard its liquidity and plan its financing requirements.

Report on opportunities

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

- The strong investing activities of the Group companies offer opportunities for further profitable growth.
- The sustained high number of SMEs available for sale offers opportunities for acquisitions that will add value to the Group.
- Investing in and increasing the value of small and medium-sized industrial companies allows above average returns to be generated if successful.
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, borrower or business partner and will boost MBB's importance as a holding company for industrial SMEs in Germany.
- The experience and network of the current management 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.
- The expansion of MBB-AG's international activities, particularly through the formation of a new subsidiary of MBB Fertigungstechnik GmbH in China, will lead to greater proximity to the customer, and hence greater opportunities for growth.

Risk report

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

- Individual portfolio companies could be particularly hard hit by a potential 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. In particular, the formation of MBB Technologies (China) Ltd. could lead to specific associated risks, such as the risk of start-up losses.
- Since the acquisition of MBB Fertigungstechnik GmbH, project business is being conducted in the area of plant engineering once again, which could lead to specific project risks and increased earnings volatility.
- 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 sale and purchase agreement warranties, while its portfolio companies could be exposed to product liability or other statutory liability risks.
- The high purchase price expectations of potential sellers could limit the number of attractive investment opportunities, and hence the Group's growth.

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).
- Structured mergers & acquisitions tools that are used to organise the proposal and acquisition process and test it for success (MAC) and the maintenance and continuous expansion of the MBB network to M&A advisors and potential sellers.
- 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 this declaration, the Managing Board – including on behalf of the Supervisory Board – reports on corporate governance in accordance with section 3.10 of the German Corporate Governance Code and section 289a of the German Commercial Code (HGB). This declaration on corporate governance in accordance with section 298 HGB must include:

1. The declaration in accordance with section 161 of the German Stock Corporation Act (AktG);
2. The corporate governance report;
3. Relevant information on corporate governance practices going beyond the statutory requirements and details of where they are publicly accessible;
4. A description of the procedures of the 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 17 March 2014, 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 20 March 2013 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration of conformity and relates to the German Corporate Governance Code (hereinafter also the "Code") in the version dated 13 May 2013.

The Managing Board and Supervisory Board of MBB Industries AG hereby confirm that they 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 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. In light of the relatively low level of fixed remuneration paid to the members of the Supervisory Board, we do not consider a deductible for the Supervisory Board to be appropriate.*
- *Section 4.2.1: Composition of the Managing Board: The Supervisory Board is of the opinion that the size and management structure of the Company mean that it can also be managed by a sole member of the Managing Board.*
- *Section 5.1.2: Composition of the Managing Board: When filling positions on the Managing Board of MBB Industries AG, the Supervisory Board observes the requirements of the German Stock Corporation Act by ensuring that candidates have the skills, knowledge and experience that are required for the work of the Managing Board. By contrast, while the Supervisory Board expressly welcomes diversity, it considers criteria such as a candidate's gender to be secondary.*

- *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 5.4.4: Moving from the Managing Board to the Supervisory Board and chairmanship of the Supervisory Board: The Annual General Meeting on 17 June 2013 exercised its statutory option to elect the former Managing Board member Mr. Gert-Maria Freimuth to the Supervisory Board. Mr. Freimuth was subsequently elected as Chairman of the Supervisory Board. The Supervisory Board considers this decision to be appropriate in light of Mr. Freimuth's knowledge and experience, particularly since the Supervisory Board has a further two independent members and the small size of the Supervisory Board and the lack of committees means that chairmanship of the Supervisory Board does not have the same degree of importance as is the case for large and codetermined supervisory bodies. Furthermore, the Supervisory Board is of the opinion that the election of the Chairman of the Supervisory Board is entirely a matter for the Supervisory Board.*
- *Section 7.1.2: Publications: The consolidated financial statements and interim financial reports are published in accordance with the statutory periods and those imposed by Deutsche Börse for the Prime Standard. As an industrial holding company with a focus on majority interests in small and medium- sized industrial companies, MBB 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: Corporate governance report

Directors' shareholdings

The shareholdings of the members of the Managing Board and the Supervisory Board are shown in the notes to the consolidated financial statements under section 10.1 of II.

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.

Share buy-back programme

No share buy-back programme was conducted in the period under review.

Auditor

The Annual General Meeting of MBB Industries AG elected Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft mbH, 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.

Stock option plan/securities-oriented incentive systems

At its meeting on 29 November 2013, the Supervisory Board resolved a stock option plan and an amendment to the bonus agreement. A description of the stock option plan can be found in the remuneration report. At the same time, the existing bonus regulations were amended with respect to the agreed upper limit for the bonus fund in particular.

Re 3: 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 4: 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 Managing Board is appointed by the Supervisory Board and is responsible for managing the Group. Three further members of the management team are responsible for the areas of Mergers & Acquisitions, Portfolio Company Management, Finance, IT and Processes. The Managing Board is appointed until 30 June 2015.

The Supervisory Board of MBB-AG consists of Gert-Maria Freimuth (Chairman), Dr. Peter Niggemann (Deputy Chairman) and Dr. Matthias Rumpelhardt. A new Supervisory Board will be elected at the Annual General Meeting in 2016. The MBB Group does not have a right of codetermination, 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 2013 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 or the transfer of shares

The 144,201 treasury shares acquired as part of the share buy-back programme in 2012 do not have voting rights in accordance with section 71b of the German Stock Corporation Act.*

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

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

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

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* On 27 March 2014 the total number of treasury shares was sold to an institutional investor, therefore MBB does not hold treasury shares at the time of publication of this annual report.

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

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 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 may be 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. 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.

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.

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.[*]

By resolution of the Annual General Meeting on 18 June 2012, the Managing Board was authorised to purchase and sell treasury shares corresponding to up to 10% of the share capital in the period from 1 July 2012 to 29 June 2017.

Rescinding the resolution dated 18 June 2012, the Annual General Meeting on 17 June 2013 resolved to authorise the Managing Board to purchase and sell treasury shares corresponding to up to 10% of the share capital on the stock exchange in the period from 18 June 2013 to 16 June 2018. 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.

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

There were no material events after the balance sheet date.

Report on expected developments

We see our results for the 2013 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 2014 and 2015 financial years. Taking into account the investing activities of its portfolio companies – including the acquisition of smaller companies to round off the portfolio – MBB’s management is seeking to increase total operating revenue to up to €250 million in the 2014 financial year and up to

[*] On 27 March 2014 the total number of treasury shares was sold to an institutional investor, therefore MBB does not hold treasury shares at the time of publication of this annual report.

€300 million in the 2015 financial year. As well as achieving growth, the aim is to defend the attractive earnings level that the MBB Group has achieved.

We consider 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 and even in the event of new global crises. MBB is planning to maintain its policy of dividend continuity. The Managing Board and the Supervisory Board will propose to the Annual General Meeting on 30 June 2014 the payment of an increased dividend of €0.55 per share or €3.6 million for the 2013 financial year.

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, 17 March 2014

Dr. Christof Nesemeier
CEO

MBB Industries AG Abridged Annual Financial Statements for 2013

Income statement (HGB)	2013 € thou	2012 € thou
Revenue	1,227	1,505
Other operating income	900	835
Cost of purchased services	1,068	1,136
Staff costs	350	189
Depreciation and amortisation of intangible assets and property, plant and equipment	58	50
Other operating expenses	1,144	1,156
Income from equity investments	893	752
Income from other securities and loans of financial assets	734	286
Other interest and similar income	231	412
Write-downs on financial assets and current securities	38	4
Interest and similar expenses	95	165
Profit from ordinary activities	**1,232**	**1,090**
Income tax expense	-256	-96
Other taxes	6	3
Net profit for the year	**1,482**	**1,183**
Profit carried forward from the previous year	11,123	14,024
Share buy back programme	0	-856
Unappropriated surplus	**12,605**	**14,351**

Appropriation of earnings

The net profit of €1,482,063.68, together with the profit carried forward of €11,123.058.80, is reported as unappropriated surplus. As in previous years, the Managing Board and Supervisory Board will propose to the Annual General Meeting the payment of a dividend. The proposed dividend will amount to €3,630,000.00 or €0.55 per share.

Statement of financial position (HGB) Assets	31 Dec 2013 audited € thou	31 Dec 2012 audited € thou
Intangible assets	59	142
Property, plant and equipment	71	89
Financial assets	32,514	33,658
Noncurrent assets	**32,644**	**33,889**
Receivables and other assets	2,400	1,992
Securities	2,396	3,639
Cash in hand and bank balances	2,509	2,804
Current assets	**7,305**	**8,435**
Deferred items	**18**	**13**
Total assets	**39,967**	**42,337**
Equity and liabilities	€ thou	€ thou
Equity	**35,113**	**36,860**
Provisions	**381**	**1,086**
Liabilities	**4,473**	**4,391**
Total Equity and liabilities	**39,967**	**42,337**

IFRS Consolidated Financial Statements for 2013

IFRS consolidated statement of comprehensive income	Notes	1 Jan - 31 Dec 2013 € thou	1 Jan - 31 Dec 2012 € thou
Revenue	III.1.	**228,197**	**204,876**
Increase (+)/decrease (-) in finished goods and work in progress		153	765
Operating performance		**228,350**	**205,641**
Elimination of negative difference from capital consolidation	I.1.3.	581	1,737
Other operating income	III.2.	4,402	4,556
Total performance		**233,333**	**211,934**
Cost of raw materials and supplies		-118,443	-110,116
Cost of purchased services		-26,947	-24,446
Cost of materials		**-145,390**	**-134,562**
Wages and salaries		-37,526	-31,684
Social security and pension costs		-12,723	-9,481
Staff costs		**-50,249**	**-41,165**
Other operating expenses	III.3.	-14,968	-11,645
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**22,726**	**24,562**
Amortisation and depreciation expense	II.1.	-5,185	-4,876
Earnings before interest and taxes (EBIT)		**17,541**	**19,686**
Write-downs on securities	II.8.	-87	-15
Other interest and similar income	III.4.	641	542
Interest and similar expenses	III.5.	-931	-2,070
Net finance costs		**-377**	**-1,543**
Earnings before taxes (EBT)		**17,164**	**18,143**
Income tax expense	III.6.	-3,161	-3,905
Other taxes	III.6.	-130	-216
Profit or loss for the period		**13,873**	**14,022**
Non-controlling interests		-402	-410
Consolidated net profit		**13,471**	**13,612**
Earnings per share (in €)	III.7.	2.09	2.11

IFRS consolidated statement of comprehensive income	Notes	1 Jan - 31 Dec 2013 € thou	1 Jan - 31 Dec 2012 € thou
Consolidated net profit		**13,471**	**13,612**
Non-controlling interests		402	410
Profit or loss for the period		**13,873**	**14,022**
Currency translation changes recognised in equity	II.10.4	72	658
Net profit (+) / loss (-) from the revaluation of financial assets in the available-for-sale category	II.10.4	-423	1,045
Pension reserves		84	-173
Other comprehensive income after taxes		**-267**	**1,530**
Comprehensive income for the reporting period		**13,606**	**15,552**
there of attributable to:			
- Shareholders of the parent company		13,020	15,304
- Non-controlling interests		586	248

Statement of financial position Assets (IFRS)	Notes	31 Dec 2013 audited € thou	31 Dec 2012 audited € thou
Non-current assets			
Concessions, industrial property rights and similar rights	II.3.	4,230	3,038
Goodwill	II.2.	1,816	1,816
Advance payments		33	84
Intangible assets		**6,079**	**4,938**
Land and buildings including buildings on third-party land	II.4.	21,378	22,275
Technical equipment and machinery	II.4.	9,291	7,643
Other equipment, operating and office equipment	II.4.	3,420	3,298
Advance payments and assets under development	II.4.	10,736	2,392
Property, plant and equipment		**44,825**	**35,608**
Investment securities	II.8.	6,556	4,932
Other loans		501	162
Financial assets		**7,057**	**5,094**
Deferred tax assets	II.9.	**1,393**	**933**
		59,354	**46,573**
Current assets			
Raw materials and supplies	II.5.	5,791	4,907
Work in progress	II.5.	2,903	2,905
Finished goods	II.5.	7,502	7,082
Advance payments		1,754	3,468
Inventories		**17,950**	**18,362**
Trade receivables	II.6.	22,502	17,588
Receivables from construction contracts	II.6.	22,988	22,721
Other current assets		6,038	3,106
Trade receivables and other current assets	II.7.	**51,528**	**43,415**
Gold and commodities		1,572	2,245
Securities	II.8.	10,099	8,188
Available-for-sale financial assets	II.8.	**11,671**	**10,433**
Cash in hand		19	10
Bank balances	V.	36,684	29,859
Cash in hand, bank balances	V.	**36,703**	**29,869**
		117,852	**102,079**
Total assets		**177,206**	**148,652**

Statement of financial position Equity and liabilities (IFRS)	Notes	31 Dec 2013 audited € thou	31 Dec 2012 audited € thou
Equity			
Issued capital	II.10.1	6,456	6,456
Capital reserves	II.10.2	14,395	14,395
Legal reserve	II.10.3	61	61
Retained earnings	II.10.4	44,024	34,232
Non-controlling interests	II.10.	2,853	2,267
		67,789	**57,411**
Non-current liabilities			
Liabilities to banks	II.12.	24,401	11,224
Other liabilities	II.13.	1,352	732
Pension provisions	II.11.	18,286	18,173
Other provisions	II.14.1	1,286	4,153
Deferred tax liabilities	II.9.	2,825	3,451
		48,150	**37,733**
Current liabilities			
Due to banks	II.12.	5,373	2,116
Advance payments received	II.12.	2,535	12,305
Trade payables	II.12.	16,824	10,957
Other liabilities	II.13.	5,844	4,864
Provisions with the nature of a liability	II.14.1	8,037	11,225
Tax provisions	II.14.2	7,300	3,421
Other provisions	II.14.1	15,354	8,620
		61,267	**53,508**
Total equity and liabilities		**177,206**	**148,652**

Consolidated statement of cash flows	1 Jan - 31 Dec 2013 € thou	1 Jan - 31 Dec 2012 € thou
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**17,541**	**19,686**
Adjustments for non-cash transactions		
Write-downs on non-current assets	5,185	4,876
Increase (+) /decrease (-) in provisions	2,390	3,228
Negative difference from capital consolidation	-581	-1,737
Gains (+) / Losses (-) from disposal of PPE	-296	-186
Other non-cash expenses/income	-154	53
	6,544	**6,234**
Change in working capital:		
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-6,544	-1,904
Decrease (-) / increase (+) in trade payables and other liabilities	-4,542	-3,392
	-11,086	**-5,296**
Income taxes paid	-1,310	-1,267
Interest received	641	542
	-669	**-725**
Cash flow from operating activities	**12,330**	**19,899**
2. Cash flow from investing activities		
Investments (-) / divestments (+) intangible assets	-872	-612
Investments (-) / divestments (+) property, plant and equipment	-11,939	-12,715
Investments (-) / divestments (+) financial assets	-339	113
Investments (-) / divestments (+) of available-for-sale financial assets and securities	-3,319	330
Cash from disposal of assets	296	186
Disposal (+) / acquisition (-) of consolidated companies (less cash and cash equivalents sold/received)	7	-13,328
Cash flow from investing activities	**-16,166**	**-26,026**
3. Cash flow from financing activities		
Profit distribution to shareholders	-3,228	-2,841
Share buy back programme	0	-1,000
Proceeds from borrowing financial loans	15,923	0
Repayments of financial loans	-1,159	-3,284
Interest payments	-872	-1,606
Cash flow from financing activities	**10,664**	**-8,731**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	6,828	-14,858
Effects of changes in foreign exchange rates (non-cash)	6	39
Change in scope of consolidation	0	29,045
Cash and cash equivalents at start of reporting period	29,869	15,643
Cash and cash equivalents at end of period	**36,703**	**29,869**
Composition of cash and cash equivalents		
Cash in hand	19	10
Bank balances	36,684	29,856

Reconciliation to liquidity reserve on 31 Dec	2013	2012
Cash and cash equivalents at end of period	36,703	29,869
Gold	1,572	2,245
Securities	16,655	13,120
Liquidity reserve on 31 Dec	**54,930**	**45,234**

Statement of changes in consolidated equity

				Retained earnings						
	Issued capital	Capital reserve	Legal reserve	Currency translation difference	Available for sale financial assets	Pension reserve	Generated consolidated equity	Share of shareholders of MBB AG	Non-controlling interests	Consolidated equity
	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
1 Jan 2012 (as reported)	**6,600**	**15,251**	**61**	**-817**	**557**	**0**	**22,002**	**43,654**	**2,046**	**45,700**
Changes in accounting policy (after tax)	0	0	0	0	0	-14	41	27	-27	0
1 Jan 2012 (adjusted)	**6,600**	**15,251**	**61**	**-817**	**557**	**-14**	**22,043**	**43,681**	**2,019**	**45,700**
Dividends paid	0	0	0	0	0	0	-2,841	-2,841	0	-2,841
Subtotal	**6,600**	**15,251**	**61**	**-817**	**557**	**-14**	**19,202**	**40,840**	**2,019**	**42,859**
Amounts recognised in other comprehensive income	0	0	0	0	1,045	-132	0	913	-41	872
Currency translation difference	0	0	0	779	0	0	0	779	-121	658
Consolidated net profit	0	0	0	0	0	0	13,612	13,612	410	14,022
Total comprehensive income	**0**	**0**	**0**	**779**	**1,045**	**-132**	**13,612**	**15,304**	**248**	**15,552**
Share buy back programme	-144	-856	0	0	0	0	0	-1,000	0	-1,000
31 Dec 2012	**6,456**	**14,395**	**61**	**-38**	**1,602**	**-146**	**32,814**	**55,144**	**2,267**	**57,411**
Dividends paid	0	0	0	0	0	0	-3,228	-3,228	0	-3,228
Subtotal	**6,456**	**14,395**	**61**	**-38**	**1,602**	**-146**	**29,586**	**51,916**	**2,267**	**54,183**
Amounts recognised in other comprehensive income	0	0	0	0	-423	152	0	-271	-68	-339
Currency translation difference	0	0	0	-180	0	0	0	-180	252	72
Consolidated net profit	0	0	0	0	0	0	13,471	13,471	402	13,873
Total comprehensive income	**0**	**0**	**0**	**-180**	**-423**	**152**	**13,471**	**13,020**	**586**	**13,606**
31 Dec 2013	**6,456**	**14,395**	**61**	**-218**	**1,179**	**6**	**43,057**	**64,936**	**2,853**	**67,789**

Notes to the Consolidated Financial Statements for 2013

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 2013 financial year were approved by the Supervisory Board of MBB Industries AG on 17 March 2014 and published on 30 April 2014.

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 2013 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 consolidated financial statements are supplemented by a Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315a HGB.

Application of new and amended standards

The following IAS/IFRS/IFRIC are required to be applied for the first time or in a revised version in the 2013 financial year. Unless stated otherwise, they have limited or no effect on the consolidated financial statements of MBB Industries AG:

Regulation	Title	Effects
IAS 12	Deferred Taxes	none
IAS19	Employee Benefits	yes
IAS 28	Investments in Associates	none
IFRS 1	Government Loans	none
IAS 1	Presentation	minor
IFRS 7	Offsetting Financial Assets and Financial Liabilities	minor
IFRS 13	Fair Value Measurement	minor
IFRIC 20	Stripping Costs	none

The following newly issued standards, standards endorsed in the year under review or amended standards or interpretations 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.

Regulation	Title	Publication	Application	Endorsement	Effect
IAS 19	Employee Contributions	21/11/2013	01/07/2014	no	is being reviewed
IAS 32	Offsetting Financial Assets and Financial Liabilities	16/12/2011	01/01/2014	13/12/2012	no material effects
IAS 36	Recoverable Amount Disclosures	29/05/2013	01/01/2014	19/12/2013	Disclosures
IAS 39	Novation of Derivatives	27/06/2013	01/01/2014	19/12/2013	Disclosures
IFRS 9	Financial Instruments - Classification and Measurement	28/10/2010	01/01/2015	no	Accounting of fair value changes
IFRS 9	Financial Instruments	16/12/2011	01/01/2015	no	is being reviewed
IFRS 10	Consolidated Financial Statements	12/05/2011	01/01/2014	11/12/2012	no material effects
IFRS 11	Joint Arrangements	12/05/2011	01/01/2014	11/12/2012	no material effects
IFRS 12	Disclosure of Interests in Other Entities	12/05/2011	01/01/2014	11/12/2012	is being reviewed
IFRS 14	Regulatory Deferral Accounts	30/01/2014	01/01/2016	no	is being reviewed
IFRIC 21	Levies	20/05/2013	01/01/2014	no	is being reviewed

1.3 Company law changes and structural changes in 2013

On 3 June 2013, **MBB Technologies (China) Ltd**. was formed as a subsidiary of MBB Fertigungstechnik GmbH.

On 19 June 2013, shares in the Romanian companies S.C. Cildro Plywood Srl. and S. C. Cildro S.A. were sold for €1.00. Following the disposal, the equity interest held in S.C. Cildro Plywood Srl. amounted to 24% and the equity interest held in S.C. Cildro S.A. amounted to 17.9%, meaning that the equity interest held in S.C. Cildro Srl. was also 17.9%. As a result of the change in ownership levels, these companies are no longer included in the consolidated financial statements as associated companies.

Delignit Immobiliengesellschaft mbH was formed on 1 August 2013 as a shell company with no operating activities in its own right.

On 1 October 2013, MBB Industries AG obtained the economic ownership of all of the shares in **DHK automotive GmbH and HTZ Holztrocknung GmbH**, both of which are domiciled in Oberlungwitz, via Delignit AG for a purchase price of €1.00, including the assumption of financial liabilities in the amount of €1.7 million. The legal transfer took place on 18 November 2013 after the conditions precedent listed in the purchase agreement were met.

DHK automotive GmbH is a manufacturer of passenger car interiors, such as luggage compartment covers. The procedure for producing honeycomb construction parts based on plant fibres which has been developed by DHK automotive GmbH under the dunacore® brand ideally complements Delignit AG's existing product range. This technology allows lightweight products to be constructed using renewable sources while at the same time meeting the technological requirements of the automotive industry. HTZ Holztrocknung GmbH produces almost exclusively for DHK automotive GmbH, which is why the figures for both companies are combined below. The companies will boost the Technical Applications segment.

The following assets and liabilities were assumed as at the acquisition date:

Assets and liabilities DHK automotive GmbH und HTZ Holztrocknung GmbH	€ thou
Current asstes	
Cash and bank balances	7
Receivables and other assets	777
Inventories	380
Non-current asstes	
Intangibles	1,019
Property, plant and equipment	1,714
Current liabilities	
Trade payables	601
Liabilities to banks	545
Advanced payments received	11
Provisions	838
Non-current liabilities	
Liabilities to banks	1,125
Total assets	**777**
Share MBB	**590**

The share attributable to MBB Industries is based on its 76.08% equity interest in Delignit AG.

The receivables shown are measured at fair value and primarily relate to trade receivables in the amount of €0.7 million. €2.6 million of the intangible assets and property, plant and equipment were pledged as collateral as of 31 December 2013.

DHK automotive GmbH and HTZ Holztrocknung GmbH have contributed €1.3 million to consolidated revenue and €62.8 thousand to consolidated net profit since the acquisition date. If the acquisition had taken place at the start of the year, the Group would have reported revenue of €231.8 million and consolidated net profit of €12.7 million.

The purchase price was paid in full as of 31 December 2013. Transaction costs of €19.8 thousand have been expensed and are included in other operating expenses in the consolidated statement of comprehensive income and in cash flow from operating activities in the consolidated cash flow statement.

The purchase price of €1.00 reflects the weak results of operations of the companies acquired. Purchase price allocation resulted in a bargain purchase after minority interests of €580.7 thousand, which MBB reported as other income following a review of the recognition and measurement of the assets acquired and liabilities assumed.

OBO Modulan GmbH was renamed **MBB Plastics GmbH** by way of entry in the commercial register on 4 November 2013.

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)	
MBB Plastics 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
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	76.08
DHK automotive GmbH, Oberlungwitz, Germany	76.08
HTZ Holztrocknung GmbH, Oberlungwitz, Germany	76.08
MBB Technologies GmbH, Beelen, Germany	**100.00**
MBB Fertigungstechnik Beelen GmbH, Beelen, Germany	**100.00**
MBB Technologies (China) Ltd. Changzhou, China	100.00
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
CT Formpolster GmbH, Löhne, Germany	**100.00**

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

3.2 Associated companies

Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% 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 €1.00, 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):

2013	Closing rate 31 Dec 2013	Average rate 2013
Polish zloty (PLN)	4.1472	4.1976
Chinesischer Renminbi (CNY)	8.4175	8.0000

2012	Closing rate 31 Dec 2012	Average rate 2012
Polish zloty (PLN)	4.0882	4.1852

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

Lease payments are divided into their components of finance costs and repayment of the lease liability in that the residual carrying amount of the lease liability bears a constant rate of interest. The remaining lease payment obligations 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. In the year under review, the MBB subsidiary Hanke Tissue Sp. z o.o. recognised interest expenses for qualifying assets.

4.9 Impairment of non-financial assets

Non-financial assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For impairment testing, the recoverable amount of the asset or the cash-generating unit (CGU) must be determined. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is defined as the price obtainable from the sale of an asset or CGU between knowledgeable, willing and independent parties less costs of disposal. The value in use of an asset or CGU is determined by the present value of an estimated anticipated cash flow on the basis of its current use. If the recoverable amount falls below the carrying amount, an impairment loss in the amount of the difference is immediately recognised in 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 2013, the Group had extended loans and receivables and available-for-sale financial assets.

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

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

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

After initial recognition, held-for-sale financial assets are measured at fair value, with gains or losses recognised in a separate item of equity. On the date when the financial investment is derecognised or 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 2013 and 2012.

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

The pension obligations calculated at the level of the individual subsidiaries are measured in accordance with IAS 19 (rev. 2011) for the first time. 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 and losses are no longer reported in profit or loss, but instead are reported in other comprehensive income. The prior-period figures have been restated due to the retrospective application of IAS 19 (rev. 2011). The resulting effects are presented on page 49 and page 55.

4.16 Revenue recognition

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

a) Sale of goods and products, performance of services

Revenue is recognised when the significant risks and rewards of ownership of the goods and products sold have been transferred to the buyer. This generally takes place when the goods and products are delivered or accepted by the end customer. Revenue from service transactions is 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) Construction contracts for plant engineering

At the MBB Group, the PoC (percentage-of-completion) method described in IAS 11 is applied at MBB Fertigungstechnik GmbH. Under this method, when the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with this construction contract are recognised by reference to the degree of completion of the contract activity at the balance sheet date. The degree of completion is calculated as the ratio of the contract costs incurred up until the balance sheet date to the total estimated contract costs as at the balance sheet date (cost-to-cost method). Construction contracts accounted for using the PoC method are recognised as receivables from construction contracts in the amount of the contract costs incurred up until the balance sheet date plus the proportionate profit resulting from the degree of completion. Changes to contracts, additional amounts invoiced and incentive payments are recognised to the extent that a binding agreement has been concluded with the customer. If the result of a construction contract cannot be reliably estimated, the probable revenue is recognised up to a maximum of the costs incurred. Contract costs are recognised in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected losses are expensed immediately.

c) Interest revenue

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

d) Dividends

Revenue is recognised when the legal right to payment arises.

4.17 Taxes

a) Current income taxes

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

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

The carrying amount of deferred tax assets is tested 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 as deferred income on the balance sheet disclosed under liabilities.

Tax credits that are dependent on investments are recognised and deducted accordingly when the respective conditions are met.

5. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations 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 nonfinancial 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.

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.

e) Recognition of contract revenue

The majority of MBB Fertigungstechnik GmbH's transactions take the form of construction contracts that are recognised using the percentage-of-completion method, meaning that revenue is recognised in accordance with the degree of completion of the respective contract. This method requires that the degree of completion be estimated. Depending on the method applied in determining the degree of completion, the material estimates may relate to the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other judgements. The estimates are continuously reviewed by the Company's management and adjusted as necessary.

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 2013

	31 Dec 2013	Total cost € thou	Additions in the financial year € thou	Additions from first time con-solidation € thou	Reclassi-fication € 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	5,725	924	1,019	0	0	-2	3,436	4,230	3,038	750	0	-1
2.	Goodwill	3,643	0	0	0	0	0	1,827	1,816	1,816	0	0	0
3.	Advance payments	84	33	0	0	84	0	0	33	84	0	0	0
		9,452	**957**	**1,019**	**0**	**84**	**-2**	**5,263**	**6,079**	**4,938**	**750**	**0**	**-1**
II.	**Property, plant and equipment**												
1.	Land and buildings including buildings on third-party land	30,361	0	12	8	0	-58	8,945	21,378	22,275	865	0	-6
2.	Technical equipment and machinery	29,244	757	1,548	1,790	209	-130	23,708	9,292	7,643	2,193	0	-86
3.	Other equipment, operating and office equipment	13,420	1,297	142	81	369	-9	11,143	3,419	3,298	1,377	351	-5
4.	Advance payments and assets under development	2,392	10,265	0	-1,879	24	-18	0	10,736	2,392	0	0	0
		75,417	**12,319**	**1,702**	**0**	**602**	**-215**	**43,796**	**44,825**	**35,608**	**4,435**	**351**	**-97**
	Total	**84,869**	**13,276**	**2,721**	**0**	**686**	**-217**	**49,059**	**50,904**	**40,546**	**5,185**	**351**	**-98**

1.2 Statement of changes in non-current assets of the MBB Group as at 31 December 2012

31 Dec 2012	Total cost € thou	Additions in the financial year € thou	Additions from first time con-solidation € thou	Reclassi-fication € 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. Goodwill industrial property rights and similar rights	4,301	537	645	230	0	12	2,687	3,038	2,209	586	0	9
2. Goodwill	3,643	0	0	0	0	0	1,827	1,816	1,816	0	0	0
3. Advance payments	242	72	0	-230	0	0	0	84	242	0	0	0
	8,186	**609**	**645**	**0**	**0**	**12**	**4,514**	**4,938**	**4,267**	**586**	**0**	**9**
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	21,838	8,024	0	19	0	480	8,086	22,275	14,700	840	0	108
2. Technical equipment and machinery	27,394	353	109	503	0	885	21,601	7,643	8,581	2,120	0	668
3. Other equipment, operating and office equipment	11,183	1,267	900	63	36	43	10,122	3,298	2,394	1,330	35	38
4. Advance payments and assets under development	482	2,464	18	-585	17	30	0	2,392	482	0	0	0
	60,897	**12,108**	**1,027**	**0**	**53**	**1,438**	**39,809**	**35,608**	**26,157**	**4,290**	**35**	**814**
Total	**69,083**	**12,717**	**1,672**	**0**	**53**	**1,450**	**44,323**	**40,546**	**30,424**	**4,876**	**35**	**823**

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) in the amount of €636.7 thousand and the acquisition of the DTS Group (Trade & Services segment) in the amount of €1,179.8 thousand.

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 development costs capitalised in the 2010 financial year in the amount of €401 thousand, which are amortised over a period of ten years. Capitalised development costs of €281 thousand were reported at the balance sheet date (previous year: €321 thousand), meaning that amortisation in the year under review amounted to €40.1 thousand (previous year: €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. Borrowing costs of €53.6 thousand were recognised for qualifying assets in the year under review (previous year: €0).

5. Inventories

	31 Dec 2013 € thou	31 Dec 2012 € thou
Raw materials and supplies	5,791	4,907
Work in progress	2,903	2,905
Finished goods	7,502	7,082
Advance payments	1,754	3,468
Carrying amount as at 31 Dec	**17,950**	**18,362**

Impairment losses of €70 thousand were recognised on raw materials and supplies during the reporting period (previous year: €14 thousand). As in the previous year, there were no reversals of impairment losses on inventories.

6. Trade receivables

	31 Dec 2013 € thou	31 Dec 2012 € thou
Trade receivables	23,083	19,248
Less specific valuation allowances	-581	-1,660
Carrying amount as at 31 Dec	**22,502**	**17,588**

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.

Receivables from construction contracts recognised in accordance with the PoC method are composed as follows:

	31 Dec 2013 € thou	31 Dec 2012 € thou
Construction costs incurred		
plus (less) recognised profits (losses)	64,438	86,172
Progress billings	41,450	63,451
Net total		
Amounts due from customers from construction contracts	22,988	22,721
Amounts due to customers from construction contracts	0	0

7. Other current assets

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

	31 Dec 2013 € thou	31 Dec 2012 € thou
Tax receivables	2,229	894
Receivables from special economic zone	1,340	0
Factoring receivables	1,164	654
Prepaid expenses	793	233
Other current assets	512	714
Loan receivables	0	611
Carrying amount as at 31 Dec	**6,038**	**2,495**

Tax receivables primarily consist of corporate income tax and trade tax refunds in the amount of €1,308.2 thousand and input tax refunds in the amount of €898.5 thousand.

The receivables from the Special Economic Zone relate to Hanke Tissue Sp. z o.o in the Kostrzyn Special Economic Zone in Poland. The Special Economic Zone promotes investments and the creation of jobs by allowing up to 50% of the investment volume to be offset against the income tax due on income generated in the Special Economic Zone. This agreement means that there is no difference between the tax base and the carrying amount.

8. Available-for-sale financial assets

The available-for-sale financial assets of the MBB Group comprise physical gold reserves and securities. The value of the physical gold reserves was €1,572 thousand (previous year: €2,245 thousand). The decrease of €673 thousand is due to fair value measurement as of 31 December 2013.

Of the available-for-sale securities, shares and bonds totalling €16,656 thousand (previous year: €13,210 thousand), €6,566 thousand (previous year: €4,932 thousand) were reported under non-current assets and €10,100 thousand (previous year: €8,188 thousand) under current assets. In the year under review, write-downs were recognised on shares in the amount of €0 thousand (previous year: €0 thousand) and bonds in the amount of €23 thousand (previous year: €15 thousand). This was offset by income from securities in the amount of €855 thousand (previous year: €1,013 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 2013 and 2012 was as follows.

	31 Dec 2013 € thou	31 Dec 2012 € thou
Deferred tax assets	1,393	933
Deferred tax liabilities	-2,825	-3,451
Total	**-1,432**	**-2,518**

	31 Dec 2013 € thou	31 Dec 2012 € thou
Temporary differences from:		
Intangible assets	60	90
Unused tax losses	710	329
Provisions for pensions	611	470
Provisions	12	44
Deferred tax assets	**1,393**	**933**

	31 Dec 2013 € thou	31 Dec 2012 € thou
Temporary differences from:		
Intangible assets	84	96
Property, plant and equipment	2,426	2,655
Receivables	10	770
Provisions	305	-70
Deferred tax liabilities	**2,825**	**3,451**

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 2013".

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.

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 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 may be 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. 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.

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.

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.*

By resolution of the Annual General Meeting on 18 June 2012, the Managing Board was authorised to purchase and sell treasury shares corresponding to up to 10% of the share capital in the period from 1 July 2012 to 29 June 2017.

Rescinding the resolution dated 18 June 2012, the Annual General Meeting on 17 June 2013 resolved to authorise the Managing Board to purchase and sell treasury shares corresponding to up to 10% of the share capital on the stock exchange in the period from 18 June 2013 to 16 June 2018. 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 individual shareholdings are as follows:

	31 Dec 2013		31 Dec 2012	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH	2,355,500	*35.689*	2,425,500	*36.750*
MBB Capital GmbH	2,355,500	*35.689*	2,425,500	*36.750*
Treasury shares	144,201	*2.185*	144,201	*2.185*
Tolea GmbH	86,392	*1.309*	121,769	*1.845*
Dacapo 2 GmbH	60,000	*0.909*	60,000	*0.909*
Dr. Peter Niggemann	40,000	*0.606*	30,000	*0.455*
Dr. Matthias Rumpelhardt	2,000	*0.030*	2,000	*0.030*
Dr. Jan C. Heitmüller	0	*0.000*	10,000	*0.152*
Free float	1,556,407	*23.583*	1,381,030	*20.924*
Total	**6,600,000**	***100.000***	**6,600,000**	***100.000***

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.

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

There were no notifications in accordance with sections 21 ff. WpHG in the year under review.

10.2 Capital reserve

Capital reserves amounted to €14,395 thousand (previous year: €14,395 thousand). They resulted from the premium received by the Company from the issue of new shares in 2006. The reduction of €856 thousand in the 2012 financial year contained the difference between the par value of the treasury shares acquired as part of the share buy-back programme and the cost of their acquisition.

10.3 Legal reserve

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

10.4 Retained earnings

Difference in equity due to currency conversion

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

The difference arises from the conversion of items of the income statements of subsidiaries that prepared their accounts in a foreign currency at the average rate and conversion of the balance sheet

* On 27 March 2014 the total number of treasury shares was sold to an institutional investor, therefore MBB does not hold treasury shares at the time of publication of this annual report.

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.

Reserve for available-for-sale financial assets

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

Reserve for pensions

Due to the first-time application of IAS 19 (rev. 2011), actuarial gains/losses (adjusted for the associated deferred tax effect) are recognised in reserve for pensions.

Reserve for generated consolidated equity

This item comprises the gains generated by the Group less distributed profits. On 17 June 2013, a dividend of €0.50 per share (€3.2 million in total) was paid out to the shareholders.

11. Provisions for pensions and similar obligations

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. Pension obligations relate to Blomberger Holzindustrie B. Hausmann GmbH & Co.KG, CT Formpolster GmbH and MBB Fertigungstechnik GmbH. The pension agreements are closed, meaning that no further occupational pension agreements are concluded for new appointments.

	31 Dec 2013 € thou	31 Dec 2012 € thou
Pension provisions at beginning of the financial year	**18,173**	**4,836**
Change in the scope of consolidation	0	13,497
Utilisation	-784	-778
Addition to provisions (service cost)	413	128
Addition to provisions (interest cost)	617	252
Actuarial gains/losses	-123	247
Pension provisions at end of the financial year	**18,296**	**18,182**
- Plan assets	10	9
Pension provision recognised in the balance sheet	**18,286**	**18,173**

The following actuarial assumptions were applied:

	2013	2012
Actuarial interest rate	3,30 - 3,80 %	3,30 - 3,80 %
Salary trend	2,00 - 3,00 %	2,00 - 3,00 %
Pension trend	1,00 - 2,00 %	1,00 - 2,00 %
Fluctuation	0,00 - 8,00 %	0,00 - 5,00 %

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

Due to the first-time application of the revised IAS 19 (rev. 2011) in the 2013 financial year, actuarial gains/losses are no longer reported in profit or loss, but instead are reported in other comprehensive income In accordance with the provisions of IAS 19.173 in conjunction with IAS 8, this treatment must be applied retrospectively to the comparative figures for 2012.

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

	31 Dec 2013 € thou	31 Dec 2012 adjusted T€	31 Dec 2012 € thou
Addition to provisions (service cost)	-413	-128	-128
Addition to provisions (interest cost)	-617	-252	-252
Actuarial gains/losses	0	0	-247
Total	**-1,030**	**-380**	**-627**

The expected pension payments from the pension plans for 2014 amount to €0.7 million.

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Interest rate	0.50%	- 8.85 %	+ 10.23 %
Pension growth rate	0.50%	-	- 3.1 %
Life expectancy	+ 1 year	-	- 2.9 %

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

12. Liabilities

Liabilities have the following maturities:

31 Dec 2013	Up to 1 year € thou	More than 1 year and up to 5 years € thou	Over 5 years € thou	Total € thou
Liabilities to banks	5,373	13,940	10,461	29,774
Trade payables	16,824	0	0	16,824
Provisions with the nature of a liability	8,037	0	0	8,037
Other liabilities	5,844	1,352	0	7,196
Advance payments received	2,535	0	0	2,535
As at 31 Dec 2013	**38,613**	**15,292**	**10,461**	**64,366**

31 Dec 2012	Up to 1 year € thou	More than 1 year and up to 5 years € thou	Over 5 years € thou	Total € thou
Liabilities to banks	2,116	9,969	1,255	13,340
Advance payments received	12,305	0	0	12,305
Provisions with the nature of a liability	11,225	0	0	11,225
Trade payables	10,957	0	0	10,957
Other liabilities	4,864	732	0	5,596
As at 31 Dec 2012	**41,467**	**10,701**	**1,255**	**53,423**

Liabilities to banks have both fixed and floating interest rates of between 1.96% and 8.00% (previous year: 2.53% and 8.75%).

Land and buildings, technical equipment, machinery, inventories and receivables were pledged as collateral. The carrying amount of the pledged assets amounted to €40,939 thousand at the reporting date (previous year: €28,333 thousand).

13. Other liabilities

Other liabilities are composed as follows:

	31 Dec 2013 € thou	31 Dec 2012 € thou
Current		
Wages and salaries	1,799	964
Purchase price settlement	659	0
Commissions	608	0
Wage tax	391	696
Leasing obligtions	391	196
Value added tax	373	278
Bonus	361	406
Liabilities from takeover of inventories	301	0
Social security benefits	295	256
Debtors with credit balances	227	646
Investment grant received	57	93
Miscellaneous	57	93
	5,844	**4,864**
Non-current		
Lease obligations	922	234
Support funds	258	270
Investment grant received	171	228
	1,351	**732**
Total	**7,195**	**5,596**

14. Provisions

14.1 Other provisions

Other non-current and current provisions are composed as follows:

	31 Dec 2012 € thou	First-time consoli-dation € thou	Utili-sation € thou	Re-versal € thou	Addition € thou	31 Dec 2013 € thou
Long term Provisions						
Partial retirement	1,232	0	534	95	38	641
Anniversaries	368	0	19	31	27	345
Provision for contractual risks	510	0	210	0	0	300
Litigation risks	1,943	0	1,887	56	0	0
Miscellaneous	100	0	100	0	0	0
	4,153	**0**	**2,750**	**182**	**65**	**1,286**
Accruals and short term provisions						
Project completion costs	5,988	0	1,763	2,261	9,566	11,530
Warranty costs	2,632	0	555	97	1,144	3,124
Outstanding invoices	5,785	0	5,735	42	2,811	2,819
Staff costs	2,498	0	910	88	429	1,929
Variable salary and commission	1,153	0	1,324	32	1,613	1,410
Holiday	982	17	513	0	823	1,309
Accounting and audit costs	301	8	299	0	327	337
Employers' liability insurance association	93	0	92	0	133	134
Flexitime	24	0	24	0	22	22
Death grants	0	0	0	0	12	12
Miscellaneous	389	814	198	427	187	765
	19,845	**839**	**11,413**	**2,947**	**17,067**	**23,391**
	23,998	**839**	**14,163**	**3,129**	**17,132**	**24,677**

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

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

14.2 Tax provisions

Tax provisions are broken down as follows:

	31 Dec 2013 € thou	31 Dec 2012 € thou
Corporate income tax	3,687	1,757
Trade income tax	3,613	1,664
Carrying amount as at 31 Dec.	**7,300**	**3,421**

15. Lease and rental obligations

15.1 Operating leases and rent

	31 Dec 2013 € thou	31 Dec 2012 € 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	564	1,295
More than one year and up to five years	544	376
Over five years	29	0
	1,137	**1,671**
As at the balance sheet date, the Group has outstanding obligations from rent due as follows:		
Up to one year	2,209	2,098
More than one year and up to five years	3,913	3,395
Over five years	1,320	1,253
	7,442	**6,746**
Expenses during review-period from operating leases and rent	2,057	1,927

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:

	2013 € thou	2012 € thou
Technical equipment and machinery		
Cost on 1 Jan	3,875	3,886
Additions	649	149
Disposals	0	-160
Cost on 31 Dec	**4,524**	**3,875**
Write-downs on 1 Jan	-2,693	-2,431
Additions	-260	-262
Disposals	0	0
Write-downs on 31 Dec	**-2,953**	**-2,693**
Carrying amount as at 31 Dec	**1,571**	**1,182**
Operating and office equipment		
Cost on 1 Jan	214	321
Additions	115	0
Disposals	0	-107
Cost on 31 Dec	**329**	**214**
Write-downs on 1 Jan	-122	-89
Additions	-22	-33
Disposals	0	0
Write-downs on 31 Dec	**-144**	**-122**
Carrying amount as at 31 Dec	**185**	**92**

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	411	1,125	0
Discounts	20	203	0
Present values	**391**	**922**	**0**

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounted to €228.2 million in the 2013 financial year (previous year: €204.9 million). Revenue of €103.0 million is attributable to the application of the PoC method at MBB Fertigungstechnik GmbH (previous year: €86.2 million from the acquisition date of MBB Fertigungstechnik GmbH).

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

2. Other operating income

	2013 € thou	2012 € thou
Income from		
claims to special economic zone	1,324	0
the reversal of provisions	1,028	949
securities	855	1,013
other periods	297	139
sale of fixed assets	296	168
exchange rate gains	108	453
government grants	91	277
the reversal of valuation allowances on receivables	39	228
insurance compensation / compensation	29	163
capitalised own work	16	32
supplement agreement	0	419
rental	0	4
Miscellaneous	319	711
Total	**4,402**	**4,556**

3. Other operating expenses

	2013 € thou	2012 € thou
Maintenance expenses	2,729	2,708
Rental agreements and leasing	2,070	1,927
Other services	1,731	1,389
Travel costs/vehicle costs	1,668	1,144
Legal and consulting	1,266	970
Warranty expenses	991	0
Incidental costs for monetary transactions	656	754
Insurance	646	507
Advertising costs	476	493
Costs for telephone, post and data communication	391	341
Contributions and fees	385	206
Loss of receivables and bad debt allowances/write-downs charged on receivables	282	431
Expenses from securities transactions	225	236
Expenses from the disposal of non-current assets	216	2
Training	178	174
Office supplies	164	159
Foreign currency losses	134	0
Previous periods	74	0
Miscellaneous	686	204
Total	**14,968**	**11,645**

4. Finance income

	2013 € thou	2012 € thou
Interest and similar income from securities transactions	560	488
Other interest and similar income	56	45
Bank interest	25	9
Total	**641**	**542**

5. Finance costs

	2013 € thou	2012 € thou
Bank interest	821	1,032
Other interest and similar expenses	102	12
Interest expense from finance leasing	8	1,026
Total	**931**	**2,070**

6. Taxes

Details on deferred tax assets and liabilities can be found under I.4.17 b) "Deferred taxes". In recognising deferred taxes, an income tax rate of 30% is applied as the basis for German subsidiaries, while the future local tax rate is applied for foreign subsidiaries. Due to the first-time application of the revised IAS 19 (rev. 2011), the prior-period figures have been restated compared with the figures contained in the 2012 Annual Report.

The reconciliation of income tax expense and the accounting net profit multiplied by the Group's applicable tax rate for the 2013, 2012 (restated) and 2012 financial years is as follows:

	2013 € thou	2012 adjusted T€	2012 € thou
Trade income tax	2,154	1,946	1,946
Corporate income tax	2,168	1,731	1,731
Deferred taxes	-1,161	228	154
Other tax expense	130	216	216
Total	**3,291**	**4,121**	**4,047**

	2013 € thou	2012 adjusted T€	2012 € thou
Consolidated inncome before taxes and minority interests	17,164	18,143	17,896
Income taxes	3,161	3,905	3,831
Current tax rate	**18.4%**	**21.5%**	**21.4%**

	2013 € thou	2012 adjusted T€	2012 € thou
Profit from ordinary activities	17,164	18,143	17,896
Other taxes	-130	-216	-216
Applicable (statutory) tax rate	30.0%	30.0%	30.0%
Expected tax income/expense	5,110	5,378	5,304
Differences from foreign tax rates and special tax schemes	-697	-651	-651
Subsequent changes in tax base	-238	0	0
Not taxable income			
from settlement guarantees against vendor	-626	0	0
from the sale of securities	-199	-238	-238
bargain purchase	-174	-521	-521
Other tax effects	-15	-63	-63
Current tax expenses/ income	**3,161**	**3,905**	**3,831**

7. Earnings per share

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

	2013 € thou	2012 € thou
Result attributtable to the holders of shares	0	0
in the parent company	13,470,845	13,612,290
Weighted average number of shares to	0	0
calculate the earnings per share	6,455,799	6,466,057
Earnings per share (in €)	**2.09**	**2.11**

IV. Segment reporting

1. Information by segment

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

MBB's management divides the segments internally as follows:

Technical Applications

This segment contains those 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 consists of the Delignit companies and the MBB Technologies Group.

The MBB Technologies Group is a leading international plant engineering company for welding and assembly systems for the automotive industry. It also provides services for tool manufacturing, innovative transport technologies for exact positioning and inline measuring systems. Other industries include general industry and clean technology. The assembly technology unit develops customer-specific systems for processing individual components or modules into finished products or several complex assemblies. It specialises in assembled camshafts, steering systems, drive shafts and clean technology. Expertise in the connection technology unit ranges from conventional thermal welding and cold metal transfer (CMT) for lightweight construction with a focus on chassis components, instrument panels and clean technology through to the production of heavy components and transport vehicles. In addition to its welding and assembly services, MBB Fertigungstechnik GmbH develops and produces project-specific special machinery for welding systems and production lines that customers cannot acquire elsewhere on the market and that are unique in terms of their form and specifications.

The Delignit Group, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. It is a recognised development and project partner and series supplier for technology industries such as the automotive, rail and aviation sectors, as well as security technology. The products have special technical properties and are used in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology, among other things. The Delignit material is generally based on beech wood and is lifecycle carbon-neutral, making it ecologically superior to non-regenerative materials such as plastic or steel. Since 1 October 2013, the Delignit Group has been strengthened by the addition of DHK automotive GmbH and HTZ Holztrocknung GmbH, both of which are domiciled in Oberlungwitz.

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.

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. These activities are concentrated around the company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, which was acquired by MBB-AG 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 in relation to revenue. For Hanke, 2013 was characterised by an investment of around €10 million in the new paper machine and infrastructure that is scheduled to go live in early 2014.

CT Formpolster GmbH manufactures flexible polyether foams. The company’s service portfolio extends from material and product development and foam 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, as well as products containing biomass. CT Formpolster GmbH’s products are used as mattress and seating cores in the furniture, caravan and office sectors in particular. It also sells foam blocks to processing companies.

OBO is a global provider of polyurethane hard foam boards for tooling applications. With a market share of around 8%, it is one of the five leading providers in the industry. OBO has been part of the MBB Group since 2003. In particular, it supplies the model making industry, as well as automobile manufacturers, foundries and other processing companies directly.

Trade & Services

Trade & Services comprises the DTS Group, which consists of companies that provide specialist services or engage in retail business. The DTS Group is focused on cloud IT services. A dedicated data centre at its head office in Herford allows it to offer a wide range of traditional systems house services, such as the consulting, design, procurement, implementation and operation of IT environments, which are combined with IaaS, PaaS and SaaS cloud solutions (the latter with a focus on IT security).

The parent house DTS Systeme GmbH was formed in 1983 and is headquartered in Herford with offices in Bochum, Bremen, Berlin, Hanover and, since 1 January 2014, Hamburg, where it also operates a data centre. ICSmedia GmbH, Münster, was acquired in August 2010. ICSmedia GmbH has its own data centre and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services.

Since October 2011, eld datentechnik GmbH, Fellbach, a Germany-wide IT distributor specialising in IP access and storage technology, has been part of the DTS Group. This means that eld datentechnik GmbH provides vertical expansion for the service range of the other DTS subsidiaries.

Segment results

The accounting policies applied in segment reporting correspond to the accounting policies described in point I. 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 2013	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€ thou	€ thou	€ thou	€ thou	€ thou
Revenue from third parties	138,223	54,277	35,697	0	228,197
Other segments	68	181	204	-453	0
Total revenue	**138,291**	**54,458**	**35,901**	**-453**	**228,197**
Earnings (EBIT)	**13,527**	**4,068**	**470**	**-524**	**17,541**
Amortisation and depreciation	1,814	2,284	1,024	63	5,185
Investments	2,652	9,580	967		
Segment assets	**69,344**	**39,156**	**8,766**		
Segment liabilities	**53,231**	**9,349**	**4,645**		

1 Jan - 31 Dec 2012	Technical applications	Industrial production	Trade & services	Recon-ciliation	Group
	€ thou	€ thou	€ thou	€ thou	€ thou
Revenue from third parties	119,799	51,921	32,657	499	204,876
Other segments	510	213	126	-849	0
Total revenue	**120,309**	**52,134**	**32,783**	**-350**	**204,876**
Earnings (EBIT)	**16,099**	**3,180**	**361**	**46**	**19,686**
Amortisation and depreciation	1,492	2,382	948	54	4,876
Investments	9,315	2,405	1,013		
Segment assets	**61,617**	**29,549**	**7,879**		
Segment liabilities	**57,252**	**8,271**	**4,187**		

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	2013 € thou	2012 € thou
Total EBIT of the segments	**17,541**	**19,686**
Net finance costs	-377	-1,543
EBT	17,164	18,143
Taxes on income	-3,161	-3,905
Other taxes	-130	-216
PAT (profit after tax)	13,873	14,022
Non Controlling Interests	-402	-410
Net profit for the period	**13,471**	**13,612**

Reconciliation of segment assets to assets	2013 € thou	2012 € thou
Technical Applications segment	69,344	61,617
Industrial Production segment	39,156	29,549
Trade & Services segment	8,766	7,879
Total segment assets	**117,266**	**99,045**
Deferred tax assets	1,393	933
Current funds	48,375	40,302
Financial assets	6,556	4,932
Other assets	3,616	3,440
Total assets	**177,206**	**148,652**

Reconciliation of segment liabilities to equity and liabilities	2013 € thou	2012 € thou
Technical Applications segment	53,231	57,252
Industrial Production segment	9,349	8,271
Trade & Services segment	4,645	4,187
Total segment liabilities	**67,225**	**69,710**
Consolidated equity	67,789	57,411
Deferred tax liabilities	2,825	3,451
Tax provision	7,300	3,421
Liabilities to banks	29,774	13,340
Leasing liabilities	1,313	430
Other equity and liabilities	980	889
Total equity and liabilities	**177,206**	**148,652**

2. Information by region

2.1 Revenue from external customers

	2013 € thou	2012 € thou
Europe	207,601	179,832
North America	6,025	9,362
Miscellaneous	14,571	15,682
Total	**228,197**	**204,876**

2.2 Non-current assets

The MBB Group's non-current assets are located primarily in Europe. To date, a total of €399.4 thousand has been invested in non-current assets in connection with the establishment of the subsidiary in China.

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.

As at 31 December 2013, €8.4 million of the cash and cash equivalents reported is pledged as collateral for guarantee credits (previous year: €10.0 million); the remaining part is not subject to third-party restrictions. The Group made no payments for extraordinary transactions. Payments for income taxes and interest are reported separately.

VI. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's 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 reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €77,433 thousand in the year under review (previous year: €62,821 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 details of the maturities of 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 fair value measurement for securities and for physical gold reserves classified as available for sale. The Group had no financial liabilities at fair value through profit or loss at either this reporting date or the last reporting date. Derivatives and hedging transactions were not entered into. There were no reclassifications in 2013 or 2012.

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 2013	31 Dec 2012
Equity in € thousand	67,789	57,411
- in % of total capital	38.3%	32.4%
Liabilities in € thousand	109,417	91,241
- in % of total capital	61.7%	51.5%
Current liabilities in € thousand	61,267	53,508
- in % of total capital	34.6%	30.2%
Non-current liabilities in € thousand	48,150	37,733
- in % of total capital	27.2%	21.3%
Net gearing*	-0.4	-0.5

* calculated as the ratio of liabilities less cash and cash equivalents, securities and physical gold reserves to equity

The agreement of multiple financial covenants when taking up loans means that the Group and individual portfolio companies are required to comply with certain equity ratios.

3. Management of financial risks

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

The material Group risks arising from financial instruments include liquidity risks and credit risks. Business relationships are 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 2013. 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 €13,257 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 €265.1 thousand lower (higher).

5. Fair value risk

The financial instruments of the MBB Group that are not carried at fair value are primarily cash, trade receivables, other current assets, liabilities to banks, trade payables and other liabilities. The carrying amount of cash is extremely close to its fair value on account of the short terms of these financial instruments. 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 2013 financial year:

- Dr. Christof Nesemeier, Diplom-Kaufmann, CEO
  (Areas: Strategy, Finance, Investor Relations and Portfolio Management; since 18 June 2013 also Mergers & Acquisitions, Legal, IT and Corporate Identity)
- Gert-Maria Freimuth, Diplom-Kaufmann, member of the Managing Board (until 17 June 2013)
  (Areas: Mergers & Acquisitions, Legal, IT and Corporate Identity)

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

On 14 February 2013, Gert-Maria Freimuth informed the Managing Board and the Supervisory Board that he intended to step down from the Managing Board at the 2013 Annual General Meeting and join the Supervisory Board. The Annual General Meeting on 17 June 2013 elected Gert-Maria Freimuth to the Supervisory Board. The Supervisory Board subsequently elected Gert-Maria Freimuth as the Chairman of the Supervisory Board.

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 the Chairman of the Supervisory Board of United Labels AG.

2. Supervisory Board

MBB's Supervisory Board had the following members in the 2013 financial year:

- Gert-Maria Freimuth, Chairman of the Supervisory Board since 17 June 2013
- Dr. Peter Niggemann, Chairman of the Supervisory Board until 17 June 2013, Deputy Chairman of the Supervisory Board since 17 June 2013
- Dr. Jan C. Heitmüller, Deputy Chairman of the Supervisory Board until 17 June 2013
- Dr. Matthias Rumpelhardt, member of the Supervisory Board

Dr. Jan C. Heitmüller stepped down from the Supervisory Board at the end of the Annual General Meeting on 17 June 2013.

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

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 component. The Managing Board is also reimbursed for expenses upon presentation of receipts. D&O insurance with a deductible and accident insurance have also 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 2013 financial year, the amounts expensed for fixed compensation were:

- Dr. Christof Nesemeier, contractual partner of MBB Capital Management GmbH, €276,000.00
- Gert-Maria Freimuth, contractual partner of MBB Capital GmbH, €115,500.00

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 A) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions during the year and repayments of equity must be added to this final value, 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 compensation until these negative amounts have been eliminated. By resolution of the Supervisory Board on 29 November 2013, the calculation of the variable compensation was changed as follows. Senior management receives variable compensation in the amount of a diminishing percentage of the basis of calculation. This percentage is dependent on the basis of calculation and amounts to: 9% up to €20,000,000; 4%

between €20,000,001 and €30,000,000; 2% between €30,000,001 and €40,000,000; 1% between €40,000,001 and €50,000,000; and 0.5% over €50,000,001. This meant that the Managing Board and senior management were entitled to variable remuneration of €334,276.49 for 2013. Of this amount, Dr. Christof Nesemeier received €88,593.27 and Gert-Maria Freimuth received €0.00.

At its meeting on 29 November 2013, the Supervisory Board resolved a stock option plan and an amendment to the bonus agreement. The stock option plan is described in the remuneration report section of the management and Group management report. Under the terms of the stock option plan, up to 20,000 stock options are available to the Managing Board at a purchase price of €1.04. Dr. Christof Nesemeier took up the offer on behalf of MBB Capital Management GmbH, resulting in the recognition of a receivable by MBB Industries AG from MBB Capital Management GmbH in the amount of €20,800.00. At the same time, the existing bonus regulations were amended in particular with regard to the agreed upper limit for the bonus fund. MBB Capital Management GmbH received 40,000 stock options free of charge as one-time compensation for the less favourable conditions introduced as a result.

The Managing Board member Dr. Nesemeier received personal Supervisory Board remuneration from Delignit AG for 2013 in the amount of €20,000.00 plus value-added tax. Mr. Freimuth received personal Supervisory Board remuneration from Delignit AG for 2013 in the amount of €15,000.00 plus value-added tax.

b) Supervisory Board

Members of the Supervisory Board received fixed compensation totalling €18,500.00 in the 2013 financial year. The fixed compensation was distributed to the individual members as follows:

- Gert-Maria Freimuth, €6,000.00,
- Dr. Peter Niggemann, €7,000.00,
- Dr. Matthias Rumpelhardt, €4,000.00,
- Dr. Jan C. Heitmüller, €1,500.00.

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 A) HGB. The calculation is based on the latest audited annual financial statements with the following modifications: Assets with a stock exchange price are recognised at this price; this does not apply to shares in companies in which the Company holds more than 5% of the voting rights. Dividend distributions during the year and repayments of equity must be added to this final value, 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. 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 €22,141.83 in 2013. The Chairman of the Supervisory Board received 40% of this amount, while the other two members each received 30%.

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 2013 are published on our website at www.mbb.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 master agreements dated 30 December 2009 and 26 March 2012, 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 master agreements dated 30 December 2009 and 26 March 2012, MBB Capital GmbH, Münster, was compensated by MBB Industries AG every month for Gert-Maria Freimuth's Managing Board activities. At the Annual General Meeting on 17 June 2013, the Managing Board announced that it intended to employ Gert-Maria Freimuth as a consultant on individual projects. In accordance with the fee agreement dated 17 June 2013, his daily rate for such activities is €1,250.00. His consulting services were used for total of 28 days in the 2013 financial year, resulting in total fees of €35,000.00 plus value-added tax and the reimbursement of expenses.

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 2013 and 2012 financial years is broken down as follows.

Average number of employees	2013 Headcount	2012 Headcount
Technical Applications	555	419
Industrial Production	402	379
Trade & Services	113	123
Total	**1,070**	**921**

As at the reporting date	31 Dec 2013 Headcount	31 Dec 2012 Headcount
Technical Applications	565	486
Industrial Production	407	382
Trade & Services	116	130
Total	**1,088**	**998**

6. Auditor's fees

The auditor's fees recognised in the 2013 financial year are broken down as follows:

	2013 € thou
Audit services	175.0
Tax consulting services	10.0
Total	**185.0**

7. Events after the balance sheet date

There were no material events after the balance sheet date.

8. Other financial obligations

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

9. Contingent liabilities

The virtual sub-participation relationship (in the form of phantom shares) with the managing director of the Polish company Hanke Tissue Sp. z o.o., Kostrzyn, Poland, that was established on 1 January 2010 expired with effect from 31 December 2013. From 1 January 2014, the managing director held an equity interest of 3% in Hanke Tissue Sp. z o.o.

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 17 March 2014. It can be viewed on the Company’s website at www.mbb.com.

11. Responsibility statement

To the best of my 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, 17 March 2014

Dr. Christof Nesemeier
CEO

List of shareholdings as at 31 December 2013

Entity	Registered Office	Share of capital	Currency	Equity thou NC	Earnings thou NC
Delignit AG	**Blomberg**	**76.08%**	**EUR**	**9,769**	**168**
Blomberger Holzindustrie B. Hausmann GmbH & Co. KG	Blomberg	100.00%	EUR	1,045	878
Delignit Immobiliengesellschaft mbH	Blomberg	100.00%	EUR	25	0
DHK automotive GmbH	Oberlungwitz	100.00%	EUR	229	-465
Hausmann Verwaltung GmbH	Blomberg	100.00%	EUR	107	3
HTZ Holztrocknung GmbH	Oberlungwitz	100.00%	EUR	597	-217
MBB Plastics GmbH	**Stadthagen**	**100.00%**	**EUR**	**103**	**50**
OBO-Werke GmbH & Co. KG	Stadthagen	100.00%	EUR	1,458	60
OBO-Industrieanlagen GmbH	Stadthagen	100.00%	EUR	280	42
OBO-Werke Verwaltungs GmbH	Stadthagen	100.00%	EUR	37	1
Hanke Tissue Sp. z o.o.	**Küstrin**	**100.00%**	**PLN**	**48,484**	**10,029**
DTS IT AG	**Herford**	**80.00%**	**EUR**	**2,500**	**183**
DTS Systeme GmbH	Herford	100.00%	EUR	798	0
ICSmedia GmbH	Münster	100.00%	EUR	449	0
eld datentechnik GmbH	Fellbach	100.00%	EUR	655	0
CT Formpolster GmbH	**Löhne**	**100.00%**	**EUR**	**953**	**5**
MBB Technologies GmbH	**Beelen**	**100.00%**	**EUR**	**16,745**	**8,220**
MBB Fertigungstechnik GmbH	Beelen	100.00%	EUR	21,531	0
MBB Technologies (China) Ltd.	Changzhou	100.00%	CNY	4,567	-2,795

Auditor’s report

“We have audited the IFRS consolidated financial statements prepared by MBB Industries AG – consisting of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, consolidated segment reporting and the notes to the consolidated financial statements, as well as the summarised management report and Group management report – for the financial year from 1 January 2013 to 31 December 2013. The preparation of the consolidated financial statements and the summarised management report and Group management report in accordance with the IFRS as required to be applied in the EU and the additional provisions in accordance with section 315a (1) of the German Commercial Code (HGB) is 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 and the summarized management and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with 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, 17 March 2014

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

signed
Dr. Hüchtebrock
Wirtschaftsprüfer

signed
Weyers
Wirtschaftsprüfer

Financial Calendar

Quarterly Report Q1/2014

30 May 2014

Annual General Meeting 2014

30 June 2014, 10:00 a.m.
at Ludwig Erhard Haus,
Fasanenstraße 85, 10623 Berlin, Germany

Half-Yearly Report 2014

29 August 2014

Analysts' Conference
German Equity Forum
Frankfurt/Main

24 - 26 November 2014

Quarterly Report Q3/2014

28 November 2014

End of the financial year

31 December 2014

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