



MAX NOTES 2018

GENERAL INFORMATION

Company

MAX Automation SE (hereinafter “Company” or “MAX Group”) is a stock corporation domiciled in Germany. The registered office and principal place of business of the Company is Düsseldorf.

The main remit of the Company is to act as a managing holding company, i.e. combining enterprises under a single management, advising these enterprises, and assuming other business management duties. The Group companies operate internationally as high-tech mechanical engineering enterprises and leading providers of integrated turnkey solutions and complex systems and components. The business operations are divided into the Industrial Automation and Environmental Technology segments. MAX Automation SE therefore assumes the role of lead parent company of the Group.

Consolidated Financial Statement

The Company prepared its Consolidated Financial Statement with reference to Section 315e (1) HGB in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, and in line with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC). All the IFRS rules which were mandatory for the past financial year were applied.

The Consolidated Financial Statement was prepared in euro (EUR). Unless specified otherwise, all the amounts are stated in thousands of euro (kEUR).

The statement of comprehensive income was structured in line with the total expenditure format.

The Consolidated Financial Statement for the financial year ending 31 December 2017, duly audited and issued with an unqualified audit certificate, was approved by the Board of Directors on 23 March 2018. The audited Consolidated Financial Statement for the year ending 31 December 2018 is expected to be approved by the Board of Directors on 4 March 2019.

Accounting policies

The accounts of the domestic and foreign subsidiaries included in the Consolidated Financial Statement were prepared in accordance with the IFRS accounting and valuation regulations, applying uniform standards.

When applying the IFRS, estimates and assumptions need to be made in certain cases which have a corresponding impact on the net assets, financial position and results of operations of the Company. The assumptions and estimates which were made could have been entirely different in the same reporting period for equally understandable reasons. The assumptions and estimates which were made are routinely reviewed and adjusted. The Company would point out that actual future results may be at variance with the estimates and assumptions made.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have approved a number of amendments to existing International Financial Reporting Standards (IFRS) as well as some new IFRS rules and interpretations, which are mandatory for the MAX Group from the financial year of 2018 onwards, and they have also adopted some further standards and interpretations as well as amendments to existing standards which are not yet mandatory in the EU. The amendments, standards and interpretations are as follows:

Release	Title	Starting date of mandatory application for the MAX Group	Amendments	Potential effects on the presentation of the MAX Group's financial position performances
New and amended standards and interpretations				
IFRS 15	Revenue from Contracts with Customers (including amendments to IFRS 15: effective date of IFRS 15)	01.01.2018	IFRS 15 establishes new principles for the recognition of revenue from contracts with customers, covering all aspects and all sectors of industry. A five-step model sets out detailed specifications on various issues, such as the identification of separate performance obligations, the amount of the expected consideration, taking due account of variable price components, and the allocation of the expected consideration to the identified performance obligations. There is now also a requirement to distinguish, on the basis of uniform criteria, whether an obligation is to be performed at a specific point in time or in a specific period. The new standard replaces the following applicable regulations: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31.	The implications of the first-time application of IFRS 15 are presented separately in the Notes to these accounts.
IFRS 9	Financial Instruments	01.01.2018	This sets out the reporting procedures for financial instruments in detail. The new classification rules for financial assets and those which have been revised in the latest version of IFRS 9 are the most notable points to flag up in contrast to the previous IAS 39. These are based on the characteristics of the business model and contractual cash flows of financial assets. The regulations for the recognition of depreciations in value are also essentially new and are now based on a model of expected losses. There are also new rules for the presentation of hedging relationships in the balance sheet under IFRS 9, designed to facilitate the reflection of operational risk management to better effect.	No major implications.
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	The amendments relate to individual issues in connection with the reporting of share-based payments which are to be settled in cash. The main change or amendment is that IFRS 2 now contains provisions relating to the determination of the fair value of obligations arising from share-based payments.	No implications.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01.01.2018	The amendments are designed to reduce the impact of the different date for the first-time application of IFRS 9 by the replacement to IFRS 4, especially for companies engaged in extensive insurance work. Two possible approaches are introduced which can be used by insurers if certain conditions are met: the overlay approach and the temporary exemption approach.	No implications.
Various	Annual Improvements to IFRS Standards 2014-2016 Cycle	01.01.2018	The Annual Improvements Cycle 2014 to 2016 provides for improvements to IFRS 1 and IAS 28.	No implications.

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Amendments to IAS 40	Transfers of Investment Property	01.01.2018	The amendments clarify the requirements relating to transfers to or from the investment property portfolio. The key point is whether property under construction or development previously classified as inventories may be reclassified as investment property if there has been an obvious change in use.	No implications.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	The purpose of this interpretation is to clarify the accounting treatment of transactions involving the receipt or payment of considerations in foreign currency.	No major implications.
IFRS 16	Leases	01.01.2019	<p>The main change, particularly for lessees, is the shift away from the "all-or-nothing" principle of IAS 17 to the "right-of-use" model of IFRS 16. This means that lessees no longer have to classify leases as financing, leasing or operating leases. Leases as defined in IFRS 16 also include rental and tenancy agreements for land and real estate. Lessees will recognise a lease liability in their balance sheet in future for all leases in respect of the obligation to make future payments to the respective lessors. At the same time, lessees will capitalise a right to use the underlying asset, which will generally correspond to the present value of the payments to the lessor plus directly attributable costs. The subsequent assessment of the lease liability is based on similar mathematical rules as finance leases in accordance with IAS 17, as currently applicable, while the right of use is amortised over the term of the lease. The regulations for lessor accounting are essentially the same as in the currently applicable IAS 17. The criteria for the classification of leases for lessor accounting were taken from IAS 17. In addition, IFRS 16 contains a number of other changes with regard to the definition of a lease, to the allocation and disclosures in the Notes, and to sale-and-leaseback transactions.</p>	<p>In the worst-case scenario, the impact of IFRS 16 on the net assets, financial position and results of operations of the MAX Group will lead to an increase in the lease liabilities and to the capitalisation of a corresponding right-of-use asset in the amount of approximately 16.7 million euro. This figure is derived from the information on the other financial liabilities in these accounts and does not therefore take account of any discounting effects or any of the relief provisions in IFRS 16 (exemptions for short-term leases & low-value assets) which the MAX Group will apply. The major part relates to leased/rented land and buildings.</p> <p>The EBITDA and the EBIT in the statement of comprehensive income will both increase as a result of the introduction of IFRS 16, as the existing leasing expenses will in future be split between depreciation and interest expenses. As things stand at present, the effects in the statement of comprehensive income cannot yet be quantified exactly. In the best-case scenario, however, the Company assumes that the EBITDA will improve by 3.8 million euro. The introduction of IFRS 16 will not have any impact on the Company's covenants, as these are based on the IAS/IFRS valid in the EU at the time the syndicated loan was concluded.</p>
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	The IASB issued the interpretation developed by the IFRS Interpretations Committee, IFRIC 23, to clarify the effects of uncertainty in accounting for income taxes.	No implications.

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Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	Minor amendments to IFRS 9 (Financial Instruments) for financial assets with symmetrical call rights in order to permit their measurement at amortised cost or at fair value without affecting income. Clarification is also provided on the modification of financial liabilities which do not result in derecognition.	No implications.
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2018	The amendments make clear that an entity is required to apply IFRS 9 (Financial Instruments), including its impairment provisions, to long-term holdings in associates or joint ventures which are essentially part of the net investment in the associate or joint venture and are not accounted for using the equity method. The application of IFRS 9 therefore takes precedence over the application of IAS 28.	No implications.
Amendments to IAS 19		01.01.2019	The amendments require companies to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period following a plan amendment, curtailment or settlement, and to recognise any reductions in surplus cover as part of past service cost, even if this surplus cover was not previously recognised due to the effect of the asset ceiling.	No implications.
Various	Annual Improvements to IFRS Standards 2015-2017 Cycle	01.01.2019	The Annual Improvements Cycle 2015 to 2017 provides for improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23.	No implications.
Various		01.01.2020	Changes in the references to the conceptual framework in the IFRS rules.	No implications.
IFRS 17	Insurance Contracts	01.01.2021	IFRS 17 covers the accounting treatment of insurance contracts. It is mainly addressed to the insurance industry.	No implications.
Various	IFRS 10 and IAS 28	TBA	Amendments to IFRS 10 and IAS 28 address the sale or contribution of assets between an investor and an associate or joint venture.	No implications.
IFRS 17	Insurance Contracts	01.01.2021	IFRS 17 covers the accounting treatment of insurance contracts. It is mainly addressed to the insurance industry.	No implications.
Various	IFRS 10 and IAS 28	TBA	Amendments to IFRS 10 and IAS 28 address the sale or contribution of assets between an investor and an associate or joint venture.	No implications.

ASSETS

Acquired intangible assets

Acquired intangible assets (patent rights, licences, IT software, know-how, technology, trademark rights, industrial property rights, websites, order backlogs, customer relationships and development projects) are carried at cost less scheduled depreciation. Regular depreciation is calculated using the straight-line method over the economic life, which is between 1 and 15 years.

Internally generated intangible assets

Internally generated intangible assets (development costs) are also recognised. The economic life is between 4 and 5 years. Development costs for new products for which technical feasibility and marketability tests have been performed are capitalised at the directly or indirectly attributable manufacturing costs, provided that a clear allocation of expenses is possible and also that the products are both technically feasible and can be marketed. The development work must also be sufficiently likely to generate future injections of funds; borrowing costs are not capitalised.

The regular depreciation is based on the scheduled economic life of the products. Development costs capitalised at the balance sheet date in cases where the development project has not yet been completed are tested for impairment using the licence price analogy method.

Goodwill

If the acquisition costs for a merger exceed the sum of the wholly revalued assets and liabilities including contingent liabilities, a positive difference is capitalised as goodwill. A negative difference is recognised in the income statement after a *reassessment*.

The goodwill is allocated to the relevant cash-generating unit, recognised as an asset and subjected to an impairment test in accordance with IAS 36 on each balance sheet date. In the MAX Group, only operating subsidiaries are allocated to the cash-generating units. In cases where there are close service and supply links between the Group companies, these are combined to form operating units and the intrinsic value of the goodwill is tested on this basis. A decline in value is recognised immediately as an expense in the statement of comprehensive income and is not reversed in subsequent periods.

The goodwill arising from acquisitions made prior to the date of transition to IFRS on 1 January 2004 was taken from the previous HGB financial statements and tested for impairment at this point in time. Goodwill amortised in previous periods has not been reversed.

The impairment test on goodwill must be carried out at the level of a cash-generating unit as a general rule. The impairment test is based on the calculation of the recoverable amount. The recoverable amount is either fair value minus disposal costs or value in use, whichever is higher. The impairment tests in the MAX Group are carried out by comparing the value in use and the carrying amount.

If the carrying amount of the cash-generating unit to which the goodwill was allocated exceeds its recoverable amount, the goodwill allocated to this cash-generating unit is reduced by the difference.

If the impairment loss of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the additional impairment loss is allocated pro rata to the assets allocated to the cash-generating unit (IAS 36.104 ff.). The relevant fair values or values in use (where quantifiable) of the individual assets are taken into account as the lower limit.

The carrying amount of the cash-generating unit represents the so-called net assets and is composed of the assets required for business operations (operating assets) plus disclosed hidden reserves (especially goodwill) and minus liabilities resulting from the operations.

When calculating the fair value minus disposal costs, the procedure is conducted primarily with reference to market prices. The value in use is calculated on the basis of the discounted cash flow (DCF) method.

The weighted average cost of capital (WACC) approach is applied here (IDW RS HFA 16 (30)). The market risk premium amount is selected with reference to the pronouncements issued by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW). The risk-free base rate is calculated using a system recommended by the IDW (Svensson method). The beta factor, the borrowing rate and the debt-equity ratio are calculated with reference to capital market data relating to comparable companies (peer group) in the same sector.

The following input requirements must be taken into account:

- Under IAS 36.50, cash flows from financing and for income taxes are not to be included in the calculation of the value in use.
- The cost of equity is calculated on the basis of the capital asset pricing model and amounts to 7.52 % (previous year: 7.22 %). This interest rate is calculated using a risk-free base rate of 1.0 % (previous year: 1.3 %), a risk premium of 6.5 % (previous year: 6.5 %) and a beta factor of 1.12 (previous year: 0.91). The borrowing rate of the peer group is 1.7 % (previous year: 2.05 %). Taking into account the debt-equity ratio of 11.11 % (previous year: 5.26 %), the resulting weighted average cost of capital is 10.75 % (previous year: 9.89 %).
- The capitalisation rate is a pre-tax interest rate which reflects current market estimates of the time value of money and the specific risks of the valuation object. The returns on risk-bearing equity securities which can be observed on the capital market routinely include fiscal effects therefore the weighted capitalisation rate must be adjusted for these fiscal effects.

The value in use is determined on the basis of the present value of the cash flow from two periods of growth. The first period is based on the three-year plan prepared by the management of the respective cash-generating unit and approved by the Board of Directors. Any new information which has come to light in the meantime has been taken into account. A perpetuity equal to the permanently recoverable amount according to the last year of the detailed forecast period is taken as a basis for the second period, allowing for a growth rate of 1 %. Based on the order backlog and the chronological completion of the orders, the

chosen planning horizon mainly reflects the following assumptions for short-term to medium-term market developments: sales trend, market shares and growth rates, raw material costs, customer acquisition and retention costs, personnel development and investments. The MAX Group envisages slight increases in sales revenues and in the EBIT for the period from 2019 to 2021. The assumptions are essentially internal suppositions which mainly reflect past experience or are compared with external market values.

A sensitivity analysis for the groups of cash-generating units to which significant goodwill was allocated, yielded the assumption that the discount rates would increase by one percentage point and that the cash flows would decrease by 10 % at the same time. The Company concludes on this basis that there would be no further impairment requirement for any of the groups of cash-generating units.

Equity accounted investments

Enterprises over which MAX Automation SE has a significant influence but in which it does not have a controlling interest are entered in the balance sheet using the equity method. At the time of initial inclusion, the enterprise is valued at the cost of acquisition. In subsequent periods, the stake is valued. Attributable annual profits or annual losses increase or decrease the carrying value of the investment, and this value can be written down to a maximum of 0 euro. Dividends received by the enterprise are deducted from the carrying value.

Property, plant and equipment

Property, plant and equipment are capitalised at acquisition cost or production cost and are reduced by regular physical depreciation and – where necessary – special write-offs. In addition to the directly attributable direct costs, the production costs also include appropriate portions of the production-related overheads.

The property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Expected useful lives	
Buildings	5 to 50 years
Outside facilities	5 to 33 years
Technical equipment and machinery	1 to 14 years
Other equipment and machinery	1 to 17 years

The calculation of the economic life takes account of the estimated physical wear and tear, technological obsolescence and legal and contractual restrictions.

Assets under construction are carried at cost. Borrowing costs are capitalised for qualifying assets. These assets start to depreciate on their completion or on reaching operational state.

If there are indications pointing to impairment, the recoverable amount of the asset is calculated on the basis of its value in use in order to determine the extent of the impairment. The impairment is recognised in the income statement.

If the past cause of an impairment ceases to apply, the carrying amount of the asset is increased again accordingly.

The increase in the carrying amount is limited to the value which would have resulted if no impairment loss had been recognised for the asset in previous years. The reversal of the impairment loss is also recognised in the income statement.

Investment property

Investment property consists of property held for rental income and/or for capital appreciation purposes. Investment property is initially recognised at its acquisition or production cost, including transaction costs. Subsequently, investment property is measured at amortised cost in accordance with the historical cost model. Depreciation is calculated using the straight-line method over a period of 18 to 40 years.

An investment property is deleted from the accounts upon disposal or when there is no intention to use it on a permanent basis any longer and a future economic benefit is no longer expected from the disposal. The gain or loss on disposal is expressed as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income in the period of disposal.

Non-current financial assets

Financial assets are measured at cost at the time of acquisition.

Loans are carried at amortised cost.

Financial assets which are not carried at fair value are regularly tested for impairment. Financial assets which are impaired are written down to the recoverable amount in the income statement. If the reason for write-downs in earlier periods no longer applies, a write-up is recognised in the income statement.

Inventories

Inventories are carried at acquisition or production cost or at net realisable value which is lower. In addition to the materials and wages, the production costs include indirect material costs and production overheads which must be disclosed as assets. Discounts are made for lack of movement and marketability. The acquisition and production costs are allocated to the inventory types by means of specific allocation, the average cost method or the FIFO method (first in, first out).

Impairment losses are recognised when the net realisable value of an asset falls below its carrying amount.

Production orders

If the outcome of a production order can be reliably estimated then the receipts and costs associated with this production order are recorded in accordance with the stage of completion at the balance sheet date. The stage of completion is determined on the basis of the costs incurred for the work carried out in relation to the expected costs (cost-to-cost method). Changes in the contractual work, in the entitlements and in the performance bonuses are included to the extent that they can be reliably quantified and are likely to be maintained.

If the outcome of a production order cannot be reliably measured then the receipts are recorded only in the amount of the costs incurred which are likely to be recoverable. Contract costs are recorded as expenses in the period in which they are incurred.

If it is likely that the total contract costs will exceed the total contract receipts, the expected loss is recorded as an expense immediately.

Any amounts received prior to the rendering of the relevant services are deducted from the receivables in the consolidated balance sheet. Any amounts invoiced for services already rendered which have not yet been paid by the customer are included in the consolidated balance sheet under trade receivables.

Current financial assets

In accordance with IAS 32, financial assets include trade receivables, receivables from banks, derivative financial instruments and other miscellaneous marketable financial assets. The Company assumes that the reported values of the financial instruments are generally consistent with their fair values.

Cash and cash equivalents

Cash and cash equivalents are liquid assets measured at cost. They comprise cash in hand, bank deposits at call and other highly liquid current financial assets with a maximum term of three months at the time of acquisition. The underlying funds for financing purposes in the cash flow statement are consistent with the definition of cash and cash equivalents given here.

EQUITY AND LIABILITIES

Equity procurement costs

Equity procurement costs are deducted from the capital reserve after allowing for the taxes applicable to them.

Adjustment item for minority interests

The development of the adjustment item is based on the attributable annual results.

Pension obligations

Provisions for pensions and similar obligations are calculated using the projected unit credit method for defined benefit pension plans. The calculation is based on the 2018 G life expectancy reference tables issued by K. Heubeck. Account is taken not only of the pensions and vested benefits known on the reporting date but also of expected future changes in salaries and pensions. The service cost is included in the personnel expenses in the statement of comprehensive income. Actuarial gains and losses, as well as gains and losses from the revaluation of plan assets, are recognised in "Other comprehensive income", net of retained earnings. The interest expense is reported under net interest.

Provisions for taxation and other provisions

The provisions for taxation and other provisions are set aside as adequate and commensurate with all identifiable risks and contingent liabilities. Their projection is subject to the condition that the drawdown is probable and the liability can be reliably quantified. Non-current provisions are discounted.

Liabilities

The liabilities are initially recognised at cost and are measured at amortised cost in subsequent years. Discounts and transaction costs are accounted for using the effective interest method. Non-current non-interest-bearing liabilities are stated at their present value.

Statement of comprehensive income

Sales revenues are recognised when the significant risks and rewards of ownership of the goods and products sold have been transferred to the customer. This is usually the case when the goods are delivered to the customer and simultaneously accepted by the customer (acceptance reports).

Production orders for specific customers are accounted for using the percentage of completion method (PoC). The costs incurred in the financial year and the revenues attributable to the financial year are recognised in the income statement in accordance with the percentage of completion. The percentage of completion is calculated according to the expenses incurred (cost-to-cost method).

Expenses relating to the development of new products and processes, including significant improvements and refinements to existing products, are recorded as expenses as incurred, unless the criteria for capitalisation as development costs are met.

Other operating revenue is recognised when the service is rendered or the entitlement arises. Interest income and interest expenses are recognised on an accrual basis.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered predominantly through a sale transaction rather than through continued use and the sale is highly probable. They are measured at their carrying amount or the fair value minus selling costs which will be lower, with the exception of assets like deferred tax assets, assets arising from employee benefits, financial assets and investment property carried at fair value, and contractual rights under insurance contracts which are explicitly excluded from this rule.

An impairment loss is recognised for first-time or subsequent special write-offs of the asset (or of the disposal group) to the fair value minus selling costs. A gain is recognised for subsequent increases in the fair value of an asset (or of the disposal group) minus selling costs, but not in excess of a cumulative impairment loss previously recognised.

A gain or loss not previously recognised until the time of disposal of the non-current asset (or of the disposal group) is realised at the time of disposal.

Non-current assets (including those which are part of a disposal group) are not subject to regular depreciation if they are classified as held for sale. Interest and similar expenses which are attributable to the liabilities of a disposal group classified as held for sale will continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are reported separately from the other assets in the balance sheet. The liabilities of a disposal group which is classified as held for sale are also presented separately from other liabilities in the balance sheet.

A discontinued operation is a part of the entity which was sold or is classified as held for sale and which constitutes a separate major business unit or a geographical business sector which is part of a single coordinated plan to dispose of such a business unit, or which is a business sector or constitutes a subsidiary which was acquired solely for the purpose of resale. The results from discontinued operations are shown separately in the statement of comprehensive income.

Earnings per share

The diluted earnings per share are calculated by dividing the portion of earnings after tax attributable to the shareholders of the parent company by the weighted average number of shares in circulation during the financial year, adjusted for bonus shares issued during the financial year and excluding any treasury shares.

The diluted earnings per share are calculated on the assumption that all potentially dilutive securities are converted or exercised.

Currency translation

Transactions in foreign currencies are translated into the functional currency of the respective company at the average spot exchange rate on the day of the transaction. At the end of the reporting period, the Company values monetary assets and liabilities denominated in foreign currencies in the functional currency at the then applicable average spot exchange rate. Gains and losses from the currency valuations are recognised in the other operating revenue or other operating expenses in the income statement.

The annual accounts of the foreign subsidiaries included in the Consolidated Financial Statement whose functional currency is not the euro are translated into the Group currency, the euro, on the basis of their functional currency, which is the local currency in any given case.

The balance sheets are translated from their functional currency into the reporting currency at the average spot exchange rate on the balance sheet date using the closing rate method.

The income statements are translated at the average exchange rate for the reporting period.

The equity is translated at historical exchange rates.

Gains and losses from currency translation are recognised in equity without impacting on profit and loss.

	EUR=	Balance sheet closing rate		P&L average rate	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
China	CNY	7.87510	7.80440	7.80735	7.62644
Great Britain	GBP	0.89453	0.88720	0.88475	0.87612
Hong Kong	HKD	8.96750	9.37200	8.90259	9.24793
Poland	PLN	4.30140	4.17700	4.26058	4.25630
Singapore	SGD	1.55910	1.55990	1.55953	1.55880
USA	USD	1.45000	1.19930	1.18149	1.12929

	HKD=	Balance sheet closing rate		P&L average rate	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
China	CNY	0.87818	0.83270	0.88062	0.84425

Leases

Leases are classifieded as finance leases if all the risks and rewards associated with their ownership are essentially transferred to the lessee through the lease agreement. All other leases are classified as operating leases.

Assets held under finance leases are recognised by the lessee at the inception of the lease as assets at fair value or at the present value of the minimum lease payments, whichever is the lower. The corresponding liability to the lessor is reported in the consolidated balance sheet under other financial liabilities, depending on its maturity.

The lease payments are divided into financing costs and repayment of the lease liability, thereby achieving a constant periodic interest rate on the remaining liability. The financing costs are recognised as interest expenses in the statement of comprehensive income. If a finance lease results in a depreciable asset, a depreciation charge is incurred in each period. The depreciation is calculated in accordance with the relevant provisions for the asset in any given case in IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*.

Lease payments under operating leases are recognised by the lessee as expenses on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the period of use for the MAX Group. Contingent lease payments under operating leases are recognised as expenses in the period in which they are incurred.

Derivative financial instruments and hedging transactions

Derivatives are initially recognised at their fair value at the time of entering into a derivative transaction and are subsequently reassessed at their fair value at the end of the reporting period. The recognition of subsequent changes in the fair value will depend on whether the derivative is a designated hedging instrument and, if this is the case, on the nature of the underlying hedging relationship.

At the start of the hedging relationship, the MAX Group documents the economic relationship between the hedging instruments and the hedged items, also answering the question as to whether it is expected that changes in the cash flows of the hedging instruments will offset changes in the cash flows of the hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the underlying transaction is more than one year and as a current asset or current liability if the remaining term of the underlying transaction is less than one year.

Further details are provided in the section on risk management.

Adjustment of figures for the previous year

Until now the Company has shown the result of the valuation at equity in the operating result. In 2018, the Company decided to show the result of the valuation at equity in the financial result in future. This was because the Company generally intends to acquire majority interests in enterprises which are in line with the strategic and operational growth targets of the MAX Group. Acquisitions where the MAX Group only acquires shares carrying at equity are generally investments in enterprises which are operating in new or future fields of business which the Company would like to explore but is observing in the first instance in view of the risk factors and awaiting developments.

The disclosure within the financial result is therefore preferable from the point of view of the Company as it provides a more accurate picture of the net assets, financial position and results of operations.

The following items in the statement of comprehensive income are affected by the change in presentation:

In kEUR	2017 as amended	2017 as reported
Income from equity valuation	0	-197
Net income from financial assets valued at equity	-197	0

Consolidation principles

In the case of capital consolidation, the acquisition costs of the subsidiaries are offset against the relevant proportion of equity at fair value at the time of acquisition (revaluation method). Any remaining differences are reported as goodwill in the balance sheet and are subjected to an impairment test (DCF method with WACC approach) once a year or whenever there are indications of impairment.

Receivables and liabilities between Group companies as well as expenses and income incurred within the Group are consolidated in the process of consolidating debt and income. Interim results achieved within the Group are eliminated.

SCOPE OF CONSOLIDATION

All active Group companies are included in the scope of consolidation. These are majority holdings.

The scope of consolidation as at the balance sheet date encompasses MAX Automation SE and a total of 29 subsidiaries and second-tier subsidiaries as well as ESSERT GmbH, which is accounted for using the equity method.

The existing companies were subdivided into the Industrial Automation and Environmental Technology segments in line with the clear strategic direction. The scope of consolidation breaks down as follows:

Number of enterprises included	2018	2017
Industrial Automation	21	19
Environmental Technology	8	7
Group	29	26

Changes in the scope of consolidation

On signing the purchase agreement of 24 November 2017, bdtronic GmbH, Weikersheim, acquired 100 % of the shares in R.C.M. Reatina Costruzioni Meccaniche Srl, Rieti. The closing ensued at the beginning of January 2018. The company is assigned to the Industrial Automation segment.

NSM Packtec GmbH, Ahaus, a wholly-owned subsidiary of NSM Magnettechnik GmbH, Olfen, was sold as notarised on 3 January 2018. The closing took place on 09 March 2018. The company was allocated to the Industrial Automation segment.

MAX Automation SE contributed the business operations of the Chinese company Shanghai Cisens Automation Co., Ltd. to the newly established company MAX Automation (Shanghai) Co., Ltd. on 8 March 2018 as part of an asset deal. MAX Automation (Shanghai) is a wholly-owned subsidiary of the likewise newly established MAX Automation (Asia Pacific) Co., Ltd, Hong Kong. MAX Automation SE holds a 51 % stake in this company.

Vecoplan Polska Spółka z o.o., a wholly-owned subsidiary of Vecoplan AG, Bad Marienberg, was founded on 11 October 2018. The company is assigned to the Environmental Technology segment.

R.C.M. Reatina Costruzioni Meccaniche Srl

The Group company bdtronic GmbH, Weikersheim, took over R.C.M. Reatina Costruzioni Meccaniche Srl, Rieti (hereinafter RCM) by virtue of a share deal agreed in the purchase contract dated 24 November 2017. The closing did not take place until the beginning of January 2018, therefore the company was included in the consolidated accounts for the first time with effect from 1 January 2018.

This acquisition will see the MAX Group expanding its capacity for applications in electric mobility. RCM is a specialist provider of solutions in mechanical manufacturing, assembly and engineering. The company has particular expertise in the production of impregnation systems for electric and hybrid drives and has been working with bdtronic as a supplier for several years. Besides bdtronic, it has customers in the medical technology sector, the hygiene products industry and the energy supply sector. RCM was started up in 1979 and currently employs 44 people.

RCM was renamed bdtronic Italia Srl during the year. There are plans to develop the site in Rieti into a centre of expertise for impregnation systems in the short term and, at the same time, to simplify the supply chain by virtue of lasting improvements. The site is also earmarked for use for further technologies.

The acquisition of RCM will see the Group company bdtronic expanding its production capacity in the field of electric and hybrid drives. In the past few years, bdtronic has recorded strong growth in all four business divisions of metering, plasma treatment, hot riveting and impregnation.

A fixed purchase price of 2,392,000 euro was paid for the acquisition of 100 % of the shares in RCM.

Hidden reserves of 1,958,000 euro in land, buildings and know-how were determined as part of the purchase price allocation. Deferred taxes amount to 538,000 euro.

The fair values of the acquired assets and liabilities of RCM recognised at the acquisition date of 1 January 2018 are shown in the following table:

MAX NOTES 2018

kEUR	
Non-current assets	3,827
Intangible assets	1,048
Property, plant and equipment	2,731
Non-current financial assets	48
Current assets	2,848
Inventories	628
Trade receivables	1,262
Prepayments and accrued income, and other current assets	446
Cash and cash equivalents	512
Non-current debt capital	2,611
Liabilities to banks	830
Other non-current provisions	1,243
Deferred taxes	538
Current debt capital	1,672
Trade payables	790
Other current financial liabilities	767
Provisions and liabilities from taxes	4
Other provisions	13
Other current liabilities	98

The consolidated result includes the following contributions from RCM as at 31 December 2018:

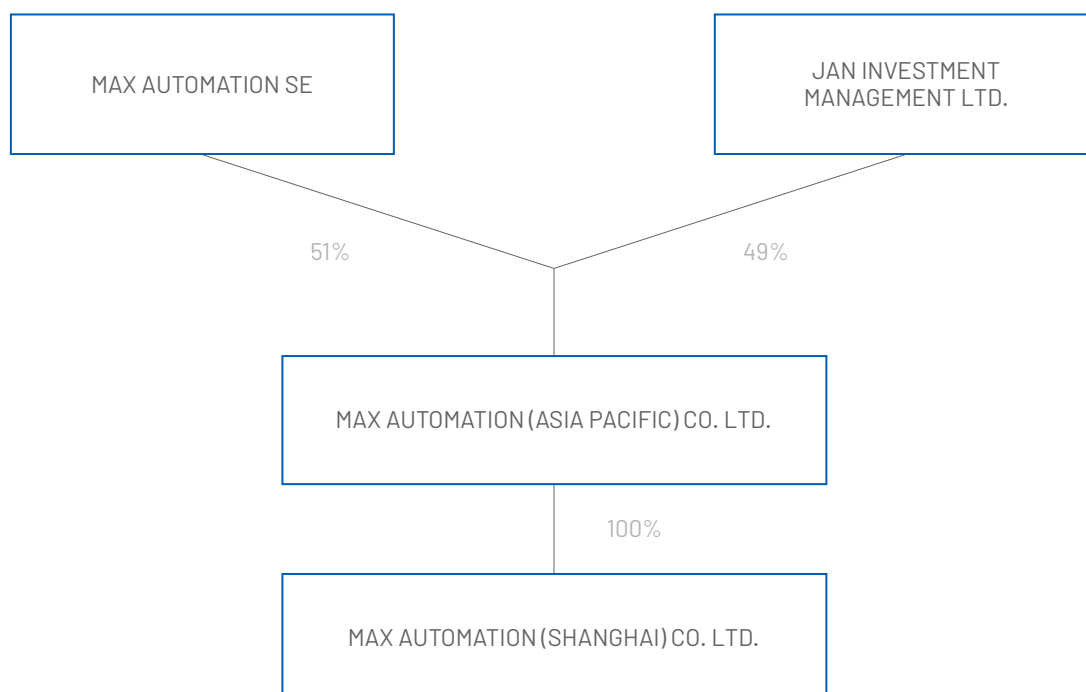
kEUR	
Revenue	4,410
EBIT after PPA	-438
Net profit for the period	-382

MAX Automation (Shanghai) Co., Ltd.

MAX Automation (Shanghai) Co., Ltd. took over the operations of the Chinese mechanical engineering company Shanghai Cisens Automation Co., Ltd. and Changchun Cisens Automation Co., Ltd. (Cisens Group) by virtue of the contract dated 8 March 2018 as part of an asset deal. The company was included in the consolidated accounts for the first time with effect from 1 March 2018.

The transaction involved three main steps:

1. MAX Automation SE and JAN Investment Management Ltd., shareholder of the Cisens Group, jointly founded MAX Automation (Asia Pacific) Co., Ltd. in Hong Kong. MAX Automation SE initially had a 25 % stake in this company.
2. MAX Automation (Asia Pacific) in turn founded the wholly-owned subsidiary MAX Automation (Shanghai) Co., Ltd., Shanghai.
3. In February 2018, the assets of the Cisens group were transferred to MAX Automation (Shanghai). MAX Automation SE then acquired a further 26 % of the shares in MAX Automation (Asia Pacific).



This acquisition constituted a significant move towards expansion in China for the MAX Group, opening the door to international projects for the global automotive industry. Long-standing relationships with Chinese suppliers were acquired by virtue of the transaction. The MAX Group now has its own high-tech capacities as well as production and service sites in China with the takeover of around 200 employees at the bases in Shanghai and Changchun. The strategic aims were to increase added value in the handling of customer projects and to exploit synergies for existing operations in China of other Group companies in the Mobility Automation division.

A fixed purchase price equating to 9,315,000 euro after conversion has been paid to date for the acquisition of 51 % of the shares in MAX Automation (Asia Pacific). A further purchase price instalment equivalent to around 1,100,000 euro will be due for payment in 2019.

Put and call options were agreed for the acquisition of the remaining 49 % of the shares. The first call option on 19 % of the shares can be exercised by MAX Automation in 2020, and the second call option on 30 % of the shares can be exercised in 2023. The put option can be issued in 2025 on the full 49 % of the shares by the minority shareholder. The calculation basis for both options is the same and refers to the average EBITDA to which a multiple is applied. In the course of the selling process, which was initiated in the fourth quarter of 2018, the plan is either to sell the put option at the same time or to find another suitable arrangement.

The valuation with the EBITDA multiple is roughly the same as the proportionate transaction price so the fair value of the call option is almost zero and was therefore not applied.

The put options were reported in the opening balance sheet under non-current debt capital as planned, allowing for a discount rate of 8,900,000 euro. In the context of the current planning and the earnings figures for 2018 and against the background of the selling process, the put option of 7,837,000 euro is reported under liabilities held for sale.

The initial consolidation of MAX Automation (Shanghai) has resulted in non-controlling interests of 4,300,000 euro. The shares of non-controlling shareholders were used on the one hand and the equity of the parent company (retained earnings) was used on the other hand for the allocation of the liability from the put option. The liability from the put option is subsequently valued without affecting income by using the result of the non-controlling shareholders and the equity of the parent company (retained earnings).

Hidden reserves in customer relationships and orders on hand equating to 7,718,000 euro after conversion were recognised in the course of the purchase price allocation. Deferred taxes amount to the equivalent of 1,930,000 euro.

The revalued equity amounts to 4,461,000 euro. The goodwill of originally 5,954,000 euro reflects the access of the MAX Group to the Chinese market and the synergies with the other Group companies. The goodwill was revalued as at 30 September 2018 in the course of the reclassification of the assets and liabilities to the discontinued operations. This resulted in an adjustment in value of 5,205,000 euro.

MAX NOTES 2018

The following table shows the fair values of the acquired assets and liabilities of the China subgroup as at the acquisition date of 1 March 2018:

kEUR	
Non-current assets	8,971
Intangible assets	7,749
Property, plant and equipment	779
Deferred taxes	443
Current assets	6,869
Inventories	2,954
Trade receivables	3,915
Non-current debt capital	6,229
Deferred taxes	1,929
Minority interests	4,300
Current debt capital	5,150
Trade payables	4,514
Other current financial liabilities	629
Other current liabilities	7

The consolidated result includes the following contributions from the China subgroup as at 31 December 2018:

kEUR	
Revenue	12,533
EBIT after PPA	-10,160
Net profit for the period	-10,259

Divestiture of NSM Packtec GmbH

NSM Magnettechnik GmbH, Olfen, a wholly-owned subsidiary of MAX Automation SE, completed the sale of NSM Packtec GmbH, Ahaus, on 09 March 2018. It was excluded from the consolidated accounts with effect from 28 February 2018 for reasons of simplification.

The sale has allowed MAX Automation to focus more on its core business.

Based in Ahaus, NSM Packtec has extensive expertise in bottling and food packaging systems in the dairy industry and in the non-alcoholic beverage industry. It has developed successfully in recent years and has earned a reputation among its customers as a professional and reliable business partner. Today the enterprise employs around 50 people. The new owner Ningbo Lehui International will offer the enterprise an ideal environment conducive to its further development in international growth markets in packaging automation, especially in Asia, and to the exploitation of potential synergies.

The divestiture was preceded by a structured sales process with advisory input in M&A processes from a Chinese investment bank based in Shanghai.

The derecognition process resulted in income of 2,863,000 euro which is reported under other operating revenue. The following assets and liabilities were excluded from the consolidated accounts as part of the transaction:

kEUR	
Non-current assets	2,159
Intangible assets	1,122
Property, plant and equipment	72
Deferred taxes	948
Non-current financial assets	17
Current assets	8,560
Inventories	1,796
Trade receivables	6,059
Prepayments and accrued income, and other current assets	74
Cash and cash equivalents	631
Non-current debt capital	942
Deferred taxes	942
Current debt capital	9,610
Trade payables	1,651
Other current financial liabilities	7,526
Other provisions	117
Other current liabilities	316

After deducting cash and cash equivalents, NSM Magnettechnik received a purchase price of 2,869,000 euro.

INTRODUCTION OF IFRS 15

IFRS 15 outlines the regulations for the recognition of revenue from contracts with customers. A five-step model sets out detailed specifications on various issues, such as the identification of separate performance obligations, the amount of the expected consideration, taking due account of variable price components, and the allocation of the expected consideration to the identified performance obligations. There is also a requirement to distinguish, on the basis of uniform criteria, whether an obligation is to be performed at a specific point in time or in a specific period.

Warranty obligations with terms extending beyond the period customary in the industry or prescribed by law, and commitments in respect of certain long-term maintenance contingents, assembly services, training, installation and storage may now need to be treated as separate performance obligations. This leads to subsequent revenue recognition in the case of some production orders, which were previously accounted for using the percentage of completion method in accordance with IAS 11, since the requirements for revenue recognition in the accounting period concerned in accordance with IFRS 15 are not met.

The introduction of IFRS 15 in accordance with the modified retrospective method led to the changes shown below in the following items in the opening balance sheet as at 1 January 2018:

In kEUR	As originally reported	Adjustment	After adjustment
Assets			
Current assets			
Inventories	42,095	42,543	84,638
Trade receivables	138,326	-35,495	102,831
Total current assets	212,254	7,048	219,302
Total assets	323,332	7,048	330,380
Equity and Liabilities			
Retained earnings	31,168	-4,044	27,124
Equity	138,997	-4,044	134,953
Non-current liabilities			
Deferred tax liabilities	8,245	-1,605	6,640
Total non-current liabilities	77,338	-1,605	75,733
Current liabilities			
Trade payables	72,614	12,697	85,311
Total current liabilities	106,997	12,697	119,694
Total assets	323,332	7,048	330,380

If IAS 11 had been retained, however, the balance sheet items listed below would have changed as shown in the following table:

MAX NOTES 2018

In kEUR	31.12.2017	Changes	31.12.2018
Inventories	42,095	1,689	43,784
Trade receivables	138,326	-84,101	54,225
Rvenue reserves	31,168	-2,652	28,516
Deferred tax liabilities	8,245	-1,248	6,997
Trade payables	72,614	-2,377	70,237

The following changes were required to the items below in the income statement along similar lines:

In kEUR	IFRS 15	Adjustment	IAS 11
Revenue	277,383	-9,998	267,385
Change in inventories of finished goods and work in progress	-1,849	8,629	6,780
Total operating revenue	275,534	-1,369	274,165
Cost of materials	-128,372	0	-128,372
Operating profit	13,555	-1,369	12,186
Income taxes	2,029	454	2,483
Net income	-35,464	-915	-36,379

The differences highlighted mainly result from projects which, in accordance with IFRS 15, are no longer invoiced over the period of completion as before but only when the project is completed. Income taxes are calculated on the basis of an estimate of the weighted average annual income tax rate.

EXPLANATORY NOTES ON THE CONSOLIDATED BALANCE SHEET

Assets

(1) Intangible assets

The following tables show the development and breakdown of the intangible assets. They are presented so as to show the changes within the entire MAX Group, including the change in the discontinued business where the figures are shown separately in an "of which" item. This mode of presentation was chosen in order to make the change from the previous year more obvious. Rounding differences may arise in the following table for arithmetical reasons.

kEUR	Concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	Internally produced intangible assets	Advances paid	Total
Costs				
01.01.2018	33,271	12,106	1,144	46,523
<i>(of which discontinued business)</i>	<i>(8,256)</i>	<i>(7,038)</i>	<i>(54)</i>	<i>(15,348)</i>
Change in scope of consolidation	7,288	285	50	7,623
<i>(of which discontinued business)</i>	<i>(7,671)</i>	<i>(0)</i>	<i>(0)</i>	<i>(7,671)</i>
Currency differences	-102	0	-2	-104
<i>(of which discontinued business)</i>	<i>(136)</i>	<i>(0)</i>	<i>(1)</i>	<i>(135)</i>
Additions	659	1,495	334	2,488
<i>(of which discontinued business)</i>	<i>(173)</i>	<i>(1,495)</i>	<i>(185)</i>	<i>(1,852)</i>
Disposals	-98	-598	-1,133	-1,829
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Reclassifications	220	0	-159	62
<i>(of which discontinued business)</i>	<i>(52)</i>	<i>(0)</i>	<i>(-52)</i>	<i>(0)</i>
31.12.2018	41,239	13,288	235	54,762
<i>(of which discontinued business)</i>	<i>(16,016)</i>	<i>(8,533)</i>	<i>(188)</i>	<i>(24,736)</i>
Accumulated amortisation				
01.01.2018	27,457	5,264	133	32,854
<i>(of which discontinued business)</i>	<i>(6,963)</i>	<i>(1,832)</i>	<i>(51)</i>	<i>(8,845)</i>
Change in scope of consolidation	-158	186	0	28
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Currency differences	11	0	-2	9
<i>(of which discontinued business)</i>	<i>(-18)</i>	<i>(0)</i>	<i>(-2)</i>	<i>(-19)</i>
Additions	4,536	4,166	0	8,702
<i>(of which discontinued business)</i>	<i>(2,508)</i>	<i>(3,316)</i>	<i>(0)</i>	<i>(5,824)</i>
Disposals	-98	-388	-82	-569
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Reclassifications	49	0	1	50
<i>(of which discontinued business)</i>	<i>(49)</i>	<i>(0)</i>	<i>(-49)</i>	<i>(0)</i>
31.12.2018	31,797	9,229	50	41,074
<i>(of which discontinued business)</i>	<i>(9,502)</i>	<i>(5,147)</i>	<i>(0)</i>	<i>(14,650)</i>
Carrying amount				
31.12.2018	9,443	4,059	185	13,687
<i>(of which discontinued business)</i>	<i>(6,515)</i>	<i>(3,386)</i>	<i>(185)</i>	<i>(10,085)</i>
<i>(of which continuing operations)</i>	<i>(2,928)</i>	<i>(673)</i>	<i>(0)</i>	<i>(3,643)</i>

kEUR	Concessions, industrial property rights and similar rights and assets, and licences to such rights and assets	Internally generated intangible assets	Advances paid	Total
Costs				
01.01.2017	32,816	10,333	955	44,104
Change in scope of consolidation	0	0	0	
Currency differences	-128	0	3	-125
Additions	847	1,773	693	3,313
Disposals	-264	0	-507	-771
Reclassifications	0	0	0	
31.12.2017	33,271	12,106	1,144	46,521
Accumulated amortisation				
01.01.2017	24,900	3,678	130	28,708
Change in scope of consolidation	0	0	0	
Currency differences	-122	0	3	-119
Additions	2,953	1,576		4,529
Disposals	-264	0	0	-264
Reclassifications	-10	10	0	
31.12.2017	27,457	5,264	133	32,854
Carrying amount				
31.12.2017	5,814	6,842	1,011	13,667

The intangible assets include licences, computer software, technologies, development projects, websites, trademarks and customer relationships. The decrease in intangible assets from 13,667,000 euro in the previous year to 3,643,000 euro is essentially due to the reclassification of the intangible assets attributable to the discontinued business as assets held for sale. Another significant factor influencing the change was the acquisition of two new Group companies and the sale of a second-tier subsidiary, the cumulative effect of which is reflected in the changes in the scope of consolidation. Further details can be found in the section on "Changes in the scope of consolidation". The internally generated intangible assets are capitalised development costs of the Group companies. Development costs amounting to 1,495,000 euro were capitalised (previous year: 1,773,000 euro). Of this amount, 0,000 euro (previous year: 156,000 euro) was attributable to continuing operations.

(2) Goodwill

The goodwill figures break down in detail as follows:

	kEUR	Goodwill	Total
Costs			
01.01.2018		63,057	63,057
<i>(of which discontinued business)</i>		<i>(7,678)</i>	<i>(7,678)</i>
Change in scope of consolidation		5,894	5,894
<i>(of which discontinued business)</i>		<i>(5,894)</i>	<i>(5,894)</i>
Currency differences		-114	-114
<i>(of which discontinued business)</i>		<i>-(105)</i>	<i>-(105)</i>
Additions		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
Disposals		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
Reclassifications		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
31.12.2018		68,837	68,837
<i>(of which discontinued business)</i>		<i>(13,467)</i>	<i>(13,467)</i>
Accumulated amortisation			
01.01.2018		9,966	9,966
<i>(of which discontinued business)</i>		<i>(837)</i>	<i>(837)</i>
Change in scope of consolidation		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
Currency differences		53	53
<i>(of which discontinued business)</i>		<i>(78)</i>	<i>78</i>
Additions		9,405	9,405
<i>(of which discontinued business)</i>		<i>(5,205)</i>	<i>(5,205)</i>
Disposals		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
Reclassifications		0	0
<i>(of which discontinued business)</i>		<i>(0)</i>	<i>(0)</i>
31.12.2018		19,424	19,424
<i>(of which discontinued business)</i>		<i>(6,120)</i>	<i>(6,120)</i>
Carrying amount			
31.12.2018		49,413	49,413
<i>(of which discontinued business)</i>		<i>(7,346)</i>	<i>(7,346)</i>
<i>(of which continued business)</i>		<i>(42,067)</i>	<i>(42,067)</i>

kEUR	Goodwill	Total
Costs		
01.01.2017	63,115	63,115
Change in scope of consolidation	0	0
Currency differences	-58	-58
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2017	63,057	63,057
Accumulated amortisation		
01.01.2017	9,976	9,976
Change in scope of consolidation	0	0
Currency differences	-10	-10
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2017	9,966	9,966
Carrying amount		
31.12.2017	53,091	53,091

kEUR	Goodwill	Total
Costs		
01.01.2017	63,115	63,115
Change in scope of consolidation	0	0
Currency differences	-58	-58
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2017	63,057	63,057
Accumulated amortisation		
01.01.2017	9,976	9,976
Change in scope of consolidation	0	0
Currency differences	-10	-10
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2017	9,966	9,966
Carrying amount		
31.12.2017	53,091	53,091

Goodwill fell to 42,067,000 euro in the financial year (previous year: 53,091,000 euro). The decrease results in the first instance from a special write-off of the goodwill of iNDAT Robotics GmbH in the amount of 4,200,000 euro and, secondly, from a change in the presentation of the goodwill belonging to the discontinued business in the amount of 6,841,000 euro. The latter is reported in the assets held for sale. There is also an increase of 17,000 euro resulting from currency translation in the Environmental Technology subgroup.

MAX NOTES 2018

In accordance with the change in the presentation to assets held for sale, the goodwill belonging to ELWEMA Automotive GmbH and to the IWM Automation Group is shown at 0,000 euro in the following table.

In kEUR	31.12.2018	31.12.2017
Goodwill	42,067	53,091
Industrial Automation	35,675	46,715
- of which NSM Magnettechnik Group	12,124	12,124
- of which MA micro automation GmbH	11,661	11,661
- of which iNDAT Robotics GmbH	3,463	7,663
- of which ELWEMA Automotive GmbH	0	4,165
- of which bdtronic Group	6,163	6,163
- of which IWM Automation Group	0	2,676
- of which Mess- und Regeltechnik Jücker GmbH	1,403	1,403
- of which AIM Micro Systems GmbH	860	860
Environmental Technology	6,392	6,375
- of which Vecoplan Group	6,392	6,375

(3) Property, plant and equipment

The presentation of the property, plant and equipment is similar to that of the intangible assets and shows, based on the total fixed assets of the MAX Group, the discontinued business in an “of which” item, leading on to the carrying amount of the continuing operations.

kEUR	Land and buildings	Technical equipment and machinery	Other facilities, factory and office equipment	Assets under construction	Advances paid	Total
Costs						
01.01.2018	41,946	15,111	20,485	126	0	77,668
<i>(of which discontinued business)</i>	<i>(10,573)</i>	<i>(1,101)</i>	<i>(3,060)</i>	<i>(0)</i>	<i>(0)</i>	<i>(14,733)</i>
Change in scope of consolidation	3,428	3,592	917	0	0	7,937
<i>(of which discontinued business)</i>	<i>(260)</i>	<i>(0)</i>	<i>(278)</i>	<i>(0)</i>	<i>(0)</i>	<i>(538)</i>
Currency differences	149	21	90	0	0	260
<i>(of which discontinued business)</i>	<i>(178)</i>	<i>-(8)</i>	<i>-(13)</i>	<i>(0)</i>	<i>(0)</i>	<i>(157)</i>
Additions	644	1,903	1,866	93	42	4,548
<i>(of which discontinued business)</i>	<i>(465)</i>	<i>(245)</i>	<i>(317)</i>	<i>(0)</i>	<i>(42)</i>	<i>(1,069)</i>
Disposals	562	-1,052	-2,239	-6	0	-2,735
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Reclassifications	78	-15	51	-114	0	0
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
31.12.2018	46,807	19,560	21,169	100	42	87,678
<i>(of which discontinued business)</i>	<i>(11,476)</i>	<i>(1,339)</i>	<i>(3,642)</i>	<i>(0)</i>	<i>(42)</i>	<i>(16,499)</i>
Accumulated amortisation						
01.01.2018	18,656	12,093	15,438	0	0	46,187
<i>(of which discontinued business)</i>	<i>(2,725)</i>	<i>(1,007)</i>	<i>(2,257)</i>	<i>(0)</i>	<i>(0)</i>	<i>(5,989)</i>
Change in scope of consolidation	1,005	3,207	602	0	0	4,814
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Currency differences	61	19	73	0	0	154
<i>(of which discontinued business)</i>	<i>-(1)</i>	<i>-(6)</i>	<i>-(1)</i>	<i>(0)</i>	<i>(0)</i>	<i>-(8)</i>
Additions	1,459	1,064	1,798	0	0	4,321
<i>(of which discontinued business)</i>	<i>(473)</i>	<i>(103)</i>	<i>(391)</i>	<i>(0)</i>	<i>(0)</i>	<i>(967)</i>
Disposals	566	-855	-2,193	0	0	-2,482
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Reclassifications	0	-14	14	0	0	0
<i>(of which discontinued business)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
31.12.2018	21,747	15,514	15,733	0	0	52,994
<i>(of which discontinued business)</i>	<i>(3,197)</i>	<i>(1,105)</i>	<i>(2,646)</i>	<i>(0)</i>	<i>(0)</i>	<i>(6,949)</i>
Carrying amount						
31.12.2018	25,060	4,047	5,438	100	42	34,687
<i>(of which discontinued business)</i>	<i>(8,278)</i>	<i>(234)</i>	<i>(995)</i>	<i>(0)</i>	<i>(42)</i>	<i>(9,551)</i>
<i>(of which continuing operations)</i>	<i>(16,782)</i>	<i>(3,813)</i>	<i>(4,443)</i>	<i>(100)</i>	<i>(0)</i>	<i>(25,136)</i>

kEUR	Land and buildings	Technical equipment and machinery	Other facilities, factory and office equipment	Assets under construction	Advances paid	Total
Costs						
01.01.2017	40,211	15,052	19,134	711	46	75,154
Change in scope of consolidation	0	0	0	0	0	0
Currency differences	-310	-78	-288	0	0	-676
Additions	206	839	2,128	1,263	5	4,441
Disposals	0	-753	-489	-9	0	-1,251
Reclassifications	1,839	51	0	-1,839	-51	0
31.12.2017	41,946	15,111	20,485	126	0	77,668
Accumulated amortisation						
01.01.2017	17,516	11,380	14,634	0	0	43,530
Change in scope of consolidation	0	0	0	0	0	0
Currency differences	-81	-64	-206	0	0	-351
Additions	1,221	1,191	1,487	0	0	3,899
Disposals	0	-414	-477	0	0	-891
Reclassifications	0	0	0	0	0	0
31.12.2017	18,656	12,093	15,438	0	0	46,187
Carrying amount						
31.12.2017	23,290	3,018	5,047	126	0	31,481

The decrease in the carrying amount of the intangible assets from 31,481,000 euro in the previous year to 25,136,000 euro is essentially due to the reclassification of the property, plant and equipment attributable to the discontinued business as assets held for sale.

There are counterbalancing effects resulting from the change in the scope of consolidation. Further details on this compensatory impact can be found in the section on "Changes in the scope of consolidation".

(4) Investment property

The item investment property includes the plots of land/buildings of the former BTD business unit which were not sold and the fair value of which at the balance sheet date corresponds to the carrying amount.

The amount incurred for the maintenance of investment property in the financial year was 0,000 euro (previous year: 37,000 euro). The changes in the investment properties were as follows:

kEUR	Land	Buildings	Total
Costs			
01.01.2018	296	5,085	5,381
Change in scope of consolidation	0	0	0
Currency differences	0	0	0
Additions	0	0	0
Disposals	0	0	0
Reclassifications	0	-62	-62
31.12.2018	296	5,023	5,319
Accumulated amortisation			
01.01.2018	0	4,002	4,002
Change in scope of consolidation	0	0	0
Currency differences	0	0	0
Additions	0	63	63
Disposals	0	0	0
Reclassifications	0	0	0
31.12.2018	0	4,065	4,065
Carrying amount			
31.12.2018	296	959	1,254

kEUR	Land	Buildings	Total
Costs			
01.01.2017	296	5,085	5,381
Change in scope of consolidation	0	0	0
Currency differences	0	0	0
Additions	0	0	0
Disposals	0	0	0
Reclassifications	0	0	0
31.12.2017	296	5,085	5,381
Accumulated amortisation			
01.01.2017	0	3,977	3,977
Change in scope of consolidation	0	0	0
Currency differences	0	0	0
Additions	0	25	25
Disposals	0	0	0
Reclassifications	0	0	0
31.12.2017	0	4,002	4,002
Carrying amount			
31.12.2017	296	1,083	1,379

(5) Equity accounted investments

The joint venture Vecoplan FuelTrack GmbH i.L., 49 % of which was held by Vecoplan AG, was effectively deleted from the commercial register on 7 March 2018 upon entry of the termination.

MAX Automation SE has also held 44.5 % of ESSERT GmbH since 20 January 2017 as an associated enterprise which is also valued at equity.

The result for the period of the associated enterprise valued at equity amounted to -1,237,000 euro in the financial year of 2018.

From the financial year of 2018 onwards, the result of the valuation at equity will be reported below the EBIT in the financial result of the Company.

(6) Other financial assets

The other financial assets of 6,668,000 euro (previous year: 2,593,000 euro) include two vendor loans amounting to 885,000 euro (previous year: 969,000 euro) and a dormant holding of 800,000 euro (previous year: 800,000 euro). Both the vendor loans and the dormant holding were created in 2016 in connection with the management buyout at altmayerBTD GmbH & Co. KG.

The other financial assets also include the outstanding payment of trade receivables of the former Group company NSM Packtec GmbH in the amount of 4,904,000 euro which is to be regarded as a loan.

The shares in MAX Automation (Asia Pacific) Co., Ltd. in Hong Kong, in which MAX Automation SE held 25 % of the shares on 31 December 2017, amounting to 353,000 euro and included in the other financial assets in the previous year, now no longer apply due to the inclusion of the company in the Consolidated Financial Statement of MAX Automation SE within the scope of the full consolidation.

Other non-current financial assets include security deposits in the amount of 79,000 euro (previous year: 471,000 euro). The decrease is mainly due to a tenant loan of 338,000 euro (previous year: 357,000 euro) which is reported in the assets held for sale in the current financial year.

(7) Deferred taxes

Deferred taxes are attributable to the following balance sheet items as they arise:

In kEUR	31.12.2018		31.12.2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current balance sheet items				
A. Non-current assets	14,539	4,299	5,430	3,938
I. Intangible assets	194	3,486	323	3,303
II. Property, plant and equipment	204	755	224	577
III. Non-current financial assets	25	58	14	58
IV. Deferred tax assets for tax losses carried forward	14,116	0	4,869	0
B. Non-current debt capital	231	0	125	60
Current balance sheet items				
C. Current assets	2,403	2,517	1,548	4,159
I. Inventories and trade receivables	2,403	2,517	1,548	3,957
II. Current financial assets	0	0	0	202
D. Current debt capital	1,246	0	219	88
Subtotal	18,419	6,816	7,322	8,245
Valuation adjustments applied to losses carried forward	-7,155	0	-625	0
Offsetting	-4,782	0	-1,973	0
Total	6,482	6,816	4,724	8,245

The deferred tax assets and liabilities resulting from production orders were netted, as were deferred tax assets and liabilities within the Group entities.

Domestic trade tax losses of 4,808,000 euro (previous year: 758,000 euro) were carried forward at the parent company of the Group with deferred tax assets of 688,000 euro (previous year: 0,000 euro), and domestic corporation tax losses of 4,245,000 euro (previous year: 0,000 euro) were carried forward with deferred tax assets of 672,000 euro (previous year: 0,000 euro).

In addition, there are domestic trade tax loss carry-overs of 37,329,000 euro (previous year: 13,901,000 euro) and corporate tax loss carry-overs of 38,477,000 euro (previous year: 14,393,000 euro) with deferred tax assets totalling 10,765,000 euro (previous year: 4,069,000 euro) with a write-down of 5,558,000 euro (previous year: 11,000 euro). The foreign losses carried forward amount to 8,737,000 euro (previous year: 3,196,000 euro) and the resulting deferred tax assets of 1,991,000 euro (previous year: 800,000 euro) were written down by 1,596,000 euro (previous year: 614,000 euro).

Minimum taxation must be observed in Germany when assessing the recoverability of the losses carried forward. Loss carry-overs can be offset indefinitely against positive results in subsequent years up to 1,000,000 euro, and beyond this up to 60 %.

The recoverability of the deferred tax assets on loss carry-overs was reviewed and guaranteed with sufficient certainty.

Of the deferred tax assets on losses carried forward after value adjustments, an amount of 6,961,000 euro (previous year: 4,782,000 euro) is covered by deferred tax liabilities. Deferred tax assets on losses carried forward which are not covered by deferred tax liabilities, and in connection with which losses occurred in previous periods, amount to 896,000 euro (previous year: 187,000 euro). Measures geared to the short-term exploitation of losses have been and will be put in place.

The following amounts are shown in the consolidated balance sheet:

In kEUR	31.12.2018	31.12.2017
Deferred tax assets:		
- from deductible differences	4,303	2,453
- from tax losses carried forward	6,961	4,244
- netted with deferred tax liabilities	-4,782	-1,973
Total deferred tax assets	6,482	4,724
Deferred tax liabilities:		
- from taxable temporary differences	6,816	8,245

(8) Other non-current assets

The other non-current assets in the amount of 330,000 euro (previous year: 601,000 euro) mainly consist of non-current trade receivables of 327,000 euro (previous year: 598,000 euro).

(9) Inventories

In kEUR	31.12.2018	31.12.2017
Raw materials and supplies	17,793	15,691
Unfinished goods and services	20,631	12,375
Finished goods and services	7,062	10,363
Prepayments received	3,469	3,666
Inventories	48,955	42,095

Compared with the previous year, there was a change in inventories of finished goods and work in progress of -1,849,000 euro (previous year: -65,000 euro) which is reported in the statement of comprehensive income. Variances from the corresponding balance sheet items result from exchange rate-related changes in the value of inventories of foreign Group companies.

The inventories include valuation allowances of 6,909,000 euro (previous year: 4,358,000 euro).

(10) Trade receivables

The trade receivables include receivables resulting from the application of the PoC method to production orders:

In kEUR	31.12.2018	31.12.2017
Receivables from production orders	92,757	178,574
Proportionally recomized costs	-72,512	-157,572
Reported unappropriated retained earnings	20,245	21,002
Advance payments received for production orders	-72,980	-95,786
Current receivables from production orders	19,777	82,788

Revenues from production orders of 123,483,000 euro (previous year: 98,048,000 euro) were recorded in the period under review.

The following table provides an overview of the age structure of the trade receivables:

In kEUR	31.12.2018	31.12.2017
Trade receivables:		
Receivables not overdue or having specific allowance for bad debt	19,221	37,612
Specific bad debt charges	-1,420	-1,295
Lumped specific bad debt charges	-310	-345
Overdue receivables with no specific allowance for bad debt:		
< 30 days	8,692	7,216
> 30 days	1,616	2,323
> 60 days	422	2,764
> 90 days	522	5,955
Total overdue receivables	11,252	18,258
Receivables having specific allowance for bad debt	1,420	1,308
Carrying amount	30,164	55,538
Receivables from production orders	92,757	178,574
Advance payments received from production orders	-72,980	-95,786
Trade receivables	49,940	138,326

The reduction in the inventory of receivables is mainly due to the reclassification of the discontinued operations. The changeover to IFRS 15 also results in a lower volume of production orders.

(11) Receivables from related companies

The item in the amount of 19,000 euro (previous year: 40,000 euro) relates to trade receivables due from ESSERT GmbH.

(12) Prepayments and accrued income, and other current assets

In kEUR	31.12.2018	31.12.2017
Claims against tax authorities	4,639	1,945
Receivables from purchase contracts	4,624	0
Prepayments and accrued income	1,251	1,276
Claims on employees	178	220
Vendors with debit balances	155	75
Receivables from refund claims	0	624
Derivatives	0	325
Other receivables	174	1,174
Total	11,021	5,639

The receivables from purchase contracts relate to the sale of NSM Packtec GmbH at the beginning of 2018. Further details can be found in the section "Events after the reporting period".

(13) Cash and cash equivalents

The cash and cash equivalents of 31,779,000 euro (previous year: 26,154,000 euro) include cash in hand, cheques and deposits with banks.

(14) Discontinued operations

On 25 September 2018, MAX Automation SE announced that the Group would no longer pursue the construction of special-purpose machines/assembly lines for automotive customers. A structured sales process was therefore initiated for the subsidiaries IWM Automation GmbH, IWM Automation Polska Sp.z o.o., IWM Automation Bodensee GmbH, Elwema Automotive GmbH and MAX Automation (Shanghai) Co., Ltd. As a result, the assets and liabilities of the subsidiaries were classified as held for sale in the 2018 Consolidated Financial Statement.

The divestment process is still ongoing and is expected to be completed in the course of 2019. Financial information for 2018 relating to the discontinued business is presented below.

Results of operations and cash flow information

The information presented on the results of operations and cash flow relates to the financial years of 2018 and 2017.

In kEUR	2018	2017
Sales revenues	127,706	125,663
<i>of which intersegment revenues</i>	204	313
External revenues	127,502	125,351
Expenses	-170,348	-128,749
<i>of which intersegment expenses</i>	-4,482	-3,574
External expenses	-165,865	-125,175
Earnings before taxes	-38,363	175
Income tax expenditure	999	337
Total	-37,364	512
Profit/loss from measurement at fair value minus selling costs	-9,755	0
Income tax expenditure	0	0
Earnings from discontinued operations	-47,119	512
<i>of which attributable to minority interests</i>	-4,743	0

The mandatory impairment test on the relevant goodwill at the time of the reclassification of the discontinued operations resulted in an impairment loss of 5,205,000 euro in respect of the goodwill of MAX Automation (Shanghai) Co., Ltd. The impairment loss is reported in the result from discontinued operations.

There are no income taxes on the loss from the fair value measurement as this is attributable to controlled companies or to amortised goodwill.

The suspension of regular depreciation prescribed by IFRS 5 from 1 October 2018 onwards also results in a positive impact on results in the amount of 1,248,000 euro.

The cash flow information is included in the cash flow statement itself.

Assets and liabilities of the discontinued operations

The following assets and liabilities in connection with the discontinued business were transferred as at 31 December 2018 to the "held for sale" category:

In kEUR	2018
Intangible assets	11,333
Goodwill	7,346
Property, plant and equipment	9,550
Inventories	39,496
Trade receivables	63,844
Other assets	1,366
Cash and cash equivalents	1,739
Total assets of discontinued operations	134,674
Loans	4,239
Provisions	4,215
Trade payables	59,665
Other liabilities	12,900
Total liabilities from discontinued operations	81,019

Disclosures about discontinued operations are to be adjusted for prior periods presented in the financial statements in such a way that the disclosures relate to all business operations which were discontinued by the closing date for the current reporting period. This means that comparative periods presented in the financial statements must include the operations classified as discontinued both in the comparative periods and in the current period and report them as such in the statement of comprehensive income and in the cash flow statement. Consequently, the retrospectively adjusted figures for the previous year in the statement of comprehensive income and the cash flow statement are not fully comparable with the figures for the current year.

In contrast, the balance sheet figures for the previous year are not adjusted with retroactive effect or revalued.

Equity and Liabilities

Equity

The changes in equity in the financial year are shown separately in the consolidated statement of changes in equity.

Capital measures

In the previous year, the Executive Directors of MAX Automation SE made full use of the right to increase the share capital by up to 10 % or 2,665,000 euro against cash contributions excluding subscription rights by resolution of 15 August 2017 (Authorised Capital II). The capital increase was entered in the commercial register on 7 September 2017.

(15) Subscribed share capital

The fully paid-in share capital of the Company amounts to 29,459,415.00 euro.

It is divided into 29,459,415 no-par shares issued in the name of the bearer. Each share therefore has a theoretical value of 1.00 euro.

The form of the share certificates, dividend coupons and renewal talons is determined by the Board of Directors. The same applies to bonds.

The Company may issue multiple share certificates (global shares) representing a combination of individual shares. The shareholders have no entitlement to certification of their shares.

The Board of Directors is authorised to increase the share capital of the Company once or several times until 29 June 2020 by up to a total of 4,019,000.00 euro by issuing new individual bearer shares (with voting rights) in return for cash contributions (Authorised Capital I). The new shares are to be offered to the shareholders to purchase, whereby an indirect subscription right as defined in §186 (5) clause 1 AktG will also suffice. The Board of Directors is authorised, however, to exclude subscription rights for fractional amounts from the shareholders. The Board of Directors is also authorised to set the date on which the dividend entitlement is to commence in a departure from the law and to determine the further details of the implementation of capital increases from Authorised Capital I. The Board of Directors is authorised to amend the wording of the Articles of Association after the full or partial implementation of the capital increase from Authorised Capital I or after the expiration of the authorisation period in accordance with the scope of the capital increase from Authorised Capital I.

The Company has not exercised this right to date.

(16) Capital and revenue reserves

The composition of, and changes in, the capital and revenue reserves are shown in the consolidated statement of changes in equity.

The capital reserves include the premium of 15,990,000 euro from the capital increase from Authorised Capital II approved on 15 August 2017. Costs for the capital increase minus the relevant taxation in the amount of 138,000 euro are deducted from this amount.

The revenue reserves reflect the actuarial gains and losses of the pension provisions and income taxes. These amounted to -177,000 euro in 2018 (previous year: -205,000 euro).

The revenue reserves also include the adjustments to entries in respect of IFRS 15 (Revenue from Contracts with Customers) in the opening balance sheet as at 1 January 2018. The revenue reserves were reduced by a total of 4,044,000 euro as a result of the changeover in line with the modified retrospective methods. The adjustments included in this figure are a reduction in trade receivables of 48,193,000 euro, an increase in inventories of 42,543,000 euro, and an increase in deferred taxes of 1,606,000 euro.

Put options of 2,937,000 euro on MAX Automation (Shanghai) Co., Ltd. are also reported in the revenue reserves. Further information on the put options can be found in the section on "Changes in the scope of consolidation".

(17) Unappropriated retained earnings

Under German stock corporation law, the amount available for dividend payments to shareholders is based on the unappropriated retained earnings for the year or on the other revenue reserves of MAX Automation SE (individual annual accounts) and is determined in accordance with German commercial law. A unappropriated retained earnings of 2,256,000 euro for 2018 under commercial law is reported in the individual accounts of MAX Automation SE.

The Board of Directors proposes a dividend payout of 0 euro per share from the unappropriated retained earnings for the year. The corresponding amount to be distributed is 0,000 euro.

Capital management

The conditions for optimal capital management are framed by the strategic direction of the MAX Group. The focus is on long-term appreciation in value in the interests of investors, employees and customers through a continuous improvement in operating profit through growth and increased efficiency.

The capital structure is managed in such a way as to aim for maximum possible flexibility so as to guarantee that all options are open at all times in terms of courses of action on the capital market. This enables optimal pricing in the procurement of equity and debt capital.

Non-current liabilities

(18) Non-current financial liabilities

In kEUR	31.12.2018	31.12.2017
Non-current debt less current portion	76,768	64,847
Remaining term 1-5 years	76,238	63,830
Remaining term > 5 years	530	1,017
Other non-current liabilities	150	1,794
Remaining term 1-5 years	150	1,273
Remaining term > 5 years	0	521
Total	76,918	66,641

The non-current loans relate to liabilities to banks and include the syndicated loan of the parent company in the amount of 73,322,000 euro (previous year: 61,158,000 euro).

The other non-current liabilities in the previous year relate to liabilities under finance leases.

Non-current debt less current portion

At the end of July 2017, MAX Automation SE increased the syndicated loan taken out in 2015 and extended it at the same time until 2022. An increase of 40 million euro in the syndicated loan to a total of 190 million euro was agreed (including a guarantee facility for advance payments, warranties and contract performance). MAX Automation took advantage of the continuing favourable financing terms to increase the syndicated loan. The agreement includes improved conditions and beneficial framework conditions (covenants) which relate to the Consolidated Financial Statement prepared in accordance with the IFRS regulations. These are based on balance sheet and earnings figures. In 2018, the MAX Group adhered to all the covenants agreed with the lending banks.

The enterprises included in the syndicated loan are jointly and severally liable for the obligations under this contract. A drawdown is considered unlikely as the creditworthiness of the debtors is ensured by their affiliation to the MAX Group. The interest rate on the syndicated loan depends on the balance sheet ratios in the Consolidated Financial Statement. The interest rate is based on the Euribor plus an additional margin resulting from the key ratios.

The loans in the Group are subject to fixed and variable interest rates. The interest rates were between 1.35 % and 5.20 % in 2018, depending on the term of the contract.

(19) Pension provisions

The pension provisions recognised in the balance sheet result from commitments to employees of a subsidiary. The defined-benefit obligations in the MAX Group are not financed through funds.

The following main assumptions were made in the actuarial calculations:

In kEUR	31.12.2018	31.12.2017
Interest rate	2.05%	1.90%
Salary growth	1.5%	1.5%
Pension indexation	2.0%	2.0%
Aggregate fluctuation	None	None
Aggregate retirement age	65	65

Cost trends in health care were not taken into account in the actuarial assumptions.

The following movements are reported in the present value of the pension liabilities:

In kEUR	31.12.2018	31.12.2017
As at 01.01.	963	1,033
Service cost	0	0
Interest cost	19	16
Actuarial gains/losses	21	-34
Pensions paid	-53	-52
Offsetting of pension liability insurance	0	0
Pension provisions	950	963

Actuarial gains and losses were recorded in such a way as to be neutral in their effects on profits.

The progression in the pension obligations over the past five years is shown in the following table:

In kEUR	2018	2017	2016	2015	2014
Balance sheet value of pension liabilities	950	963	1,033	1,082	814
Allocated plan assets	0	0	0	0	156

Experience suggests that no significant adjustments to pension obligations are expected.

In addition to the pension payments (53,000 euro), it is likely that pension costs (interest and current service cost) will amount to 40,000 euro in 2019.

A sensitivity analysis was not carried out in respect of the pension obligations due to its relative insignificance for the net assets, financial position and results of operations of the MAX Group.

(20) Trade payables

In kEUR	2018	2017
Trade payables	20,645	32,241
Prepayments received which do not relate to production orders	24,133	19,192
Obligations from production orders	23,420	14,469
Liabilities from deliveries still to be invoiced and outstanding assembly services	2,522	6,281
Obligations to subcontractors	337	431
Trade payables	71,057	72,614

Adjustments of 988,000 euro were made to the obligations from production orders as at 1 January 2018 due to the introduction of IFRS 15. Further information on the introduction of IFRS 15 and the resulting adjustments to balance sheet items can be found in the section "Introduction of IFRS 15".

Obligations from production orders	In kEUR
01.01.2018	15,457
Realised in 2018	14,556
Added in 2018	22,519
31.12.2018	23,420

(21) Current loans and current portion of non-current loans

Current bank loans of 1,086,000 euro (previous year: 8,416,000 euro) were drawn on at interest rates which are calculated at the usual market conditions.

(22) Liabilities to related companies

The liabilities to related companies from the previous year resulted from trade payables to ESSERT GmbH in the amount of 148,000 euro.

(23) Other current financial liabilities

In kEUR	31.12.2018	31.12.2017
Salaries and wages	6,347	6,145
Obligations from purchase contracts	3,974	0
Holiday pay and overtime	2,444	3,335
Customers with credit balances	885	938
Social security liabilities	572	606
MAX Shanghai purchase price due	500	0
Negative fair values of derivative financial instruments	57	0
Lease liabilities	0	246
Other current liabilities	1,441	1,629
Total	16,220	12,899

The obligations from purchase contracts in the amount of 3,974,000 euro result from the sale of Finnah Packtec GmbH (formerly: NSM Packtec GmbH) which belonged to the MAX Group until 9 March 2018. This is offset by a receivable of the same amount. Further details can be found in the section "Events after the reporting period".

Wages and salaries include bonuses and profit shares amounting to 5,990,000 euro (previous year: 5,790,000 euro).

(24) Provisions and liabilities from income taxes

Taxes and charges incurred commercially up to the balance sheet date but still to be quantified are covered by the provisions for taxation. The MAX Group is typically subject to two types of income tax in Germany: trade tax and corporation tax.

The uniform tax rate of 15 % plus 5.5 % solidarity surcharge applies to corporation tax while the trade tax rate is about 14 % on average, resulting in an average domestic tax rate of 29.83 %. Outside Germany, the MAX Group primarily generates taxable income in the USA. The average tax rate in the USA is 21.0 %.

The following movements have occurred in the provisions for taxation:

In kEUR	31.12.2017	Depletion	Releases	Additions	31.12.2018
Corporation tax with solidarity surcharge	2,412	-76	-1,232	506	1,610
Trade tax	1,905	-55	-97	420	2,174
Other taxes	432	-300	0	20	151
Total provisions	4,749	-431	-1,329	946	3,935
Tax liabilities	213	-213	0	386	386
Provisions and liabilities from income taxes	4,962	-643	-1,329	1,332	4,321

The changes from currency translation are negligible and are therefore not shown separately but are included in the additions to provisions.

Further explanatory notes on income taxes are provided in section 34 "Income taxes".

(25) Other provisions

The other provisions mainly comprise the following items:

In kEUR	31.12.2017	Consumption	Reversals	Reclassification	Additions	Changes in scope of consolidation	31.12.2018
Non-current warranty provisions	1,416	136	78	206	150	0	1,145
<i>(of which discontinued operations)</i>	<i>(481)</i>	<i>(27)</i>	<i>(64)</i>	<i>(190)</i>	<i>(20)</i>	<i>(0)</i>	<i>(220)</i>
Non-current provisions for personnel costs	64	163	0	44	78	1,243	1,265
<i>(of which discontinued operations)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
Other miscellaneous non-current provisions	10	0	0	0	2,600	0	2,610
<i>(of which discontinued operations)</i>	<i>(10)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(2,600)</i>	<i>(0)</i>	<i>(2,610)</i>
Total other non-current provisions	1,489	299	78	162	2,828	1,243	5,020
<i>(of which continuing operations)</i>	<i>(998)</i>	<i>(272)</i>	<i>(14)</i>	<i>(28)</i>	<i>(208)</i>	<i>(1,243)</i>	<i>(2,191)</i>
<i>(of which discontinued operations)</i>	<i>(491)</i>	<i>(27)</i>	<i>(64)</i>	<i>(190)</i>	<i>(2,620)</i>	<i>(0)</i>	<i>(2,830)</i>
Warranty provisions	2,705	582	1,139	206	2,352	10	3,532
<i>(of which discontinued operations)</i>	<i>(5)</i>	<i>(0)</i>	<i>(0)</i>	<i>(190)</i>	<i>(171)</i>	<i>(0)</i>	<i>(367)</i>
Provisions for personnel costs	284	156	6	44	248	32	358
<i>(of which discontinued operations)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>	<i>(0)</i>
All other provisions	2,124	1,686	166	0	5,442	89	5,623
<i>(of which discontinued operations)</i>	<i>(208)</i>	<i>(166)</i>	<i>(0)</i>	<i>(0)</i>	<i>(978)</i>	<i>(0)</i>	<i>(1,020)</i>
Total other current provisions	5,113	2,424	1,311	162	8,040	67	9,513
<i>(of which continuing operations)</i>	<i>(4,900)</i>	<i>(2,258)</i>	<i>(1,311)</i>	<i>(28)</i>	<i>(6,891)</i>	<i>(67)</i>	<i>(8,127)</i>
<i>(of which discontinued operations)</i>	<i>(213)</i>	<i>(166)</i>	<i>(0)</i>	<i>(190)</i>	<i>(1,149)</i>	<i>(0)</i>	<i>(1,386)</i>

The other miscellaneous provisions include all obligations and risks from which the Group is likely to incur an outflow of funds and which can be reliably estimated. These cover various obligations, such as subse-

quent invoices in the amount of 889,000 euro (previous year: 672,000 euro), audit and consultancy costs of 2,210,000 euro (previous year: 550,000 euro) and legal costs/damages of 385,000 euro (previous year: 93,000 euro), with 1,118,000 euro set aside for others (previous year: 809,000 euro).

The changes from currency translation are negligible and are therefore not shown separately but are included in the additions to provisions.

(26) Other current liabilities

This item in the amount of 4,048,000 euro (previous year: 2,845,000 euro) mainly consists of wage tax and church tax in the amount of 1,098,000 euro (previous year: 1,325,000 euro) and value added tax in the amount of 2,950,000 euro (previous year: 1,520,000 euro).

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(27) Revenues

In kEUR	2018	2017
Germany	104,709	90,311
EU	71,903	62,338
North America	58,510	70,110
China	6,089	8,478
Rest of the world	36,172	19,591
Total	277,383	250,829

The MAX Group generally generates revenues from the sale of goods and services. The effects of accounting for production orders are presented in section 10 "Trade receivables".

(28) Other operating revenue

In kEUR	2018	2017
Income from derecognition processes	2,863	0
Income from reversals of provisions	1,325	1,982
Income from due and proper use of personnel-related liabilities	981	1,037
Income from reduction of allowances	606	421
Income from currency effects	428	1,065
Income from damages	197	43
Income from written-off receivables	30	218
Other	1,861	1,716
Total	8,247	6,482

The item "Other" essentially comprises remunerations in kind of 645,000 euro (previous year: 623,000 euro) and unpaid bonuses and profit shares of 498,000 euro (previous year: 521,000 euro).

(29) Cost of materials

In kEUR	2018	2017
Cost of goods purchased	107,615	86,764
Cost of services purchased	20,757	23,557
Total	128,372	110,321

(30) Personnel expenses

In kEUR	2018	2017
Salaries and wages	76,131	70,677
Social security contributions	13,866	13,013
- of which expenses for pensions and benefits	512	494
Total	89,997	83,690

Average number of employees excluding trainees	2018	2017
Wage-earners	399	380
Salaried employees	824	792
Total	1,223	1,172

(31) Depreciation

In kEUR	2018	2017
On goodwill	4,200	0
On other property, plant and equipment	2,804	2,735
On intangible assets	2,878	2,848
On buildings, leasehold improvements and outside facilities	550	625
On investment property	63	25
- in the above write-downs from purchase price allocations	5,244	1,197
Total	10,495	6,234

The depreciation on goodwill is a special write-off of the goodwill of iNDAT Robotics GmbH.

The depreciation on intangible assets includes special write-offs in the amount of 273,000 euro (previous year: 0,000 euro).

(32) Other operating expenses

In kEUR	2018	2017
Legal costs and consultancy fees	6,291	2,787
Travel expenses	4,434	4,270
Rent/lease expenses	3,064	3,150
Cost of outgoing freight shipments	2,950	2,947
Expenses for motor vehicles	2,658	2,488
Warranty expenses	2,370	2,514
Maintenance expenses	2,264	1,741
Personnel expenses (including basic training and skills enhancement)	2,092	1,190
Advertising costs	2,022	1,695
Postage, telephone and IT expenses	1,920	1,707
Sales commission payments	1,838	1,759
Trade fair costs	1,250	845
Electricity, gas and water expenses	1,249	1,220
Insurance costs	1,212	1,157
Allocation to individual and general charges for bad debt	1,005	590
Tools	589	525
Expenses from currency effects	157	1,812
Other miscellaneous operating expenses	5,250	5,574
Total	42,615	37,971

The other operating expenses of 42,615,000 euro (previous year: 37,971,000 euro) show an increase of 4,644,000 euro.

The increase is mainly due to the increase in legal costs and consultancy fees from 2,787,000 euro to 6,291,000 euro. The increase in legal costs and consultancy fees was due in part to investments in the restructuring of the internal control and reporting system.

The addition to the individual and general charges for bad debt also rose by 416,000 euro to 1,005,000 euro (previous year: 590,000 euro).

The travel expenses of 4,434,000 euro (previous year: 4,270,000 euro) are mainly attributable to employees away on construction jobs and to sales staff.

The expenses for personnel of 2,092,000 euro (previous year: 1,190,000 euro) mainly include expenditure on the training and professional development of the employees and expenses for recruitment and voluntary social security contributions.

(33) Net interest result

In kEUR	2018	2017
Interest income	67	383
Interest expense	-2,759	-3,166
Interest result	-2,692	-2,783

The interest expenses mainly comprise expenditure incurred for the syndicated loan.

The interest result includes expenses from the compounding of non-current provisions in the amount of 53,000 euro (previous year: 39,000 euro) and income from the discounting of non-current provisions in the amount of 14,000 euro (previous year: 9,000 euro).

The above net interest figure results solely from the financial assets and financial liabilities which were not measured at fair value in the income statement.

The following table shows the net gains or net losses on financial instruments included in the statement of comprehensive income which are not recognised in the interest result:

In kEUR	2018	2017
Financial assets and financial liabilities measured at fair value in the income statement	-108	296
Loans and receivables	-178	-1,449

The net gains or net losses on financial assets and liabilities assessed at fair value in the income statement include not only the results from the market shift but also the current expenses and income in respect of these financial instruments.

In addition to the current income/expenses, the net gains or net losses on loans and receivables include the write-ups and impairments on trade receivables or trade payables.

(34) Income taxes

The earnings before income taxes amount to 9,626,000 euro (previous year: 16,855,000 euro).

In kEUR	2018	2017
Current taxes on income and earnings	-2,434	-5,681
Taxes on income and earnings for other accounting periods	1,874	-960
Deferred taxes	2,432	3,400
- of which from losses carried forward	-3,433	595
Total	1,873	-3,240

The current and deferred taxes are calculated with reference to the income tax rates applicable in the specific country in any given case.

The main balance sheet items for deferred taxes are explained in section 7 "Deferred taxes".

The provision was allocated in the previous year in respect of the circular issued by the Federal Ministry of Finance (Bundesministerium der Finanzen - BMF) in 2017 in relation to Section 8c of the German Corporation Tax Act (Körperschaftsteuergesetz - KStG). The provision was reversed this year due to the fact that the BMF circular was withdrawn without replacement. This is shown in the taxes relating to other periods.

The expected income tax expense is calculated by multiplying the annual result before income taxes by the Group income tax rate. This is derived from the tax rates of the companies included. The effective tax rate for 2018 has been significantly reduced due to various special items, including impairment of goodwill.

Further information on the deferred taxes can be found in section 7 “Deferred taxes”.

The following table shows the reconciliation of the imputed income tax expense to the taxes on income and earnings recorded for the Group as a whole:

In kEUR	2018	2017
Net income before income taxes	9,626	16,855
Result from discontinued operations before income taxes	-49,367	175
Total	-39,741	17,030
Group income tax rate	27.81%	30.39%
Calculated income tax expense for the financial year	-11,051	5,176
Differences from tax rates	347	282
Differing tax charges (relating to specific countries)	34	-70
Differences in tax assessment base (tax accounts)	308	177
Correction of valuation allowance on deferred tax assets on losses carried forward	6,743	427
Expenses not allowable against tax	254	277
Impairment of goodwill	2,482	0
Income taxes relating to other periods/adjustment of deferred taxes from previous years	-1,850	-3,406
Taxes to be borne by minority interests	-10	0
Differences in tax calculation for the current year	-19	4
Other	-109	35
Taxes on income and earnings	-2,872	2,903
Effective tax rate	7.23 %	17.05 %

OTHER DISCLOSURES RELATING TO THE CONSOLIDATED FINANCIAL STATEMENT

Consolidated cash flow statement

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

The change in deferred taxes is included in the other non-cash operating expenses and income.

The table below shows the change in liabilities from financing activities.

In kEUR	31.12.2017	Payments out	Payments in	Other changes	Company acquisitions	New lease contracts	Reclassification to liabilities in connection with assets held for sale	Changes in fair value	Currency effects	31.12.2018
Non-current financial liabilities	64,847	w-43,976	55,000	337	560	0	0	0	0	76,768
Current financial liabilities	8,416	-8,416	5,392	-337	270	0	-4,239	0	0	1,086
Lease liabilities	1,913	-247	0	0	0	0	-1,666	0	0	0
Total	75,176	-52,639	60,392	0	830	0	-5,905	0	0	77,854

Research and development

Development costs totalling 1,175,000 euro (previous year: 709,000 euro) were incurred in 2018. Of these, intangible assets amounting to 0,000 euro (previous year: 156,000 euro) had to be capitalised in accordance with IAS 38. This corresponds to a capitalisation rate of 0 % (previous year: 22 %). Depreciation on development costs amounted to 850,000 euro (previous year: 711,000 euro), of which 273,000 euro (previous year: 0,000 euro) relates to special write-offs in technologies no longer in line with strategy. The information previously provided relates only to the business operations of the MAX Group which are to be continued.

Risk management

General information on financial risks

The MAX Automation Group can be exposed to various risks through financial instruments. These are as follows:

- Credit risks
- Liquidity risks
- Market price risks

Credit risks essentially arise from trade receivables. It is particularly important to assess the risks in connection with the project business, as in the provisional financing of orders, for example.

Liquidity risks ensue from the potential failure of meeting payment obligations on time. These risks are usually associated with negative outcomes in the business operations.

Market price risks arise from changes in exchange rates and interest rates. Currency risks on the sales side essentially come about when invoicing on the basis of US dollars.

Risk categories

Credit risks

The credit risk is the exposure to economic loss in a case where a counterparty fails to meet its contractual obligations or payment obligations. The risk essentially comprises the risk of default and the risk which ensues from a deterioration in creditworthiness.

Trade receivables are due as a result of the worldwide sales operations of the individual companies.

The following safeguarding measures are taken as a general rule as a result of the different credit ratings of the customers:

- Export credit insurance
- Letters of credit
- Prepayments
- Guarantees and sureties
- Internal credit lines
- Assignments as security

The maximum default risk (credit risk) entails the total deficit of the carrying amounts of the financial instruments. The default risk of the unimpaired financial instruments is fundamentally judged to be low from the present-day perspective, as the probability of default is kept to a minimum by the strict constraints of the risk management system.

Liquidity risk

The short-term and medium-term cash flows of the companies at Group level are combined in the operational liquidity management. In addition to the settlement dates of the financial assets and liabilities, these cash flows also include the expectations from the operating cash flows of the Group companies.

The following outgoing interest and principal payments ensue for the financial liabilities of the Group as at 31 December 2018:

In kEUR	Carrying amount 31.12.2018	Cash flow up to 1 year	Cash flow 1 to 5 years	Cash flow > 5 years
Primary financial liabilities				
Financing liabilities	77,854	2,692	9,212	74,633
Trade payables (excluding prepayments received)	71,057	71,057	0	0
Other interest-bearing and non- interest-bearing liabilities	20,417	20,268	149	0
Cash outflows from derivative financial instruments				
- foreign exchange derivatives	-57	2,943	0	0
- interest rate derivatives	0	0	0	0
Cash inflows from derivative financial instruments				
- foreign exchange derivatives	-57	2,886	0	0
- interest rate derivatives	0	0	0	0

Market price risk

The Group is exposed to market price risks in the form of exchange rate risks and interest rate risks due to its international operations. These risks can have a negative impact on the net assets, financial position and results of operations of the Group. The general economic conditions are constantly monitored and relevant market information is consulted in order to evaluate and assess the risks.

The Group has established a central risk management system for the systematic identification and assessment of market price risk. This involves reporting to the Executive Directors on an ongoing basis.

Currency risks

Due to its international set-up, the MAX Automation Group is exposed to risks from exchange rate fluctuations in its business operations and with regard to the reported financial transactions and cash flows. The exchange rate risk for the Group is driven by its sales volume and essentially by conversions between the US dollar and the euro. The transaction exposure is of particular importance here as the sales revenues

are in foreign currency and the associated costs are in euro. Exchange rate fluctuations are hedged in part through appropriate hedging deals.

Forward exchange contracts and currency options have been concluded to hedge currency transactions. Pure trading transactions are not entered into without corresponding underlying transactions.

Forward sales of currencies may give rise to market price risks in the form of potential obligations to sell foreign currencies at a spot rate below the market rate on the settlement date. The market price risk in option contracts is limited to the option premium.

The terms and scope of the currency hedges correspond to those of the underlying transactions requiring cover. The Group held the following hedging instruments as at the reporting date:

Financial instruments for currency hedging

	Nominal volume in kUSD		Fair value in kEUR	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Forward exchange contracts (sale)	3,397	1,500	-57	16
Currency option transactions (USD calls)	0	2,000	0	65

The currency sensitivity analyses are based on the following assumptions:

- Primary financial instruments which are denominated in a foreign currency are subject to currency risk and are therefore included in the sensitivity analysis.
- Exchange rate-related changes in the market values of foreign exchange derivatives, which are not included in a hedging relationship in accordance with IAS 39 or in a hedging relationship with underlying transactions in the balance sheet (natural hedge), affect the currency result and are therefore included in the sensitivity analysis.

USD sensitivity analysis (in kEUR)	Impact on Group equity		Impact on annual Group result	
	2018	2017	2018	2017
10% revaluation	-179	-358	-98	-406
10% devaluation	219	438	120	496

The GBP, CNY and PLN risks have been subjected to a sensitivity analysis but no significant impact was noted.

Interest rate risks:

Assets and liabilities which are sensitive to interest rate movements are held in the Group to the usual extent.

The business operations are financed by the syndicated loan at matching maturities. In order to maintain flexibility in the market, however, variable-interest refinancing options are used to a limited extent.

There is an interest cap arrangement – the contractual agreement of an interest rate ceiling – according to which the variable interest payable is limited to 4.35 %. The cap is agreed for a fixed term until 7 June 2024.

In kEUR	Nominal volume			Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	
Interest rate cap	234	244	0	0	
Interest rate swap	0	0	0	0	

Interest rate risks are presented by means of sensitivity analyses in accordance with IFRS 7. These analyses show the effects of changes in market interest rates on interest income and interest expense, other income components and, where applicable, on equity. The interest rate sensitivity analyses are based on the following assumptions:

- Changes in the market interest rates of primary financial instruments with fixed interest rates only affect earnings if they are measured at fair value. All fixed-interest financial instruments measured at amortised cost are therefore not subject to interest rate risk as defined by IFRS 7.
- Changes in market interest rates affect the result of primary variable-rate financial instruments, in respect of which the interest payments are not designated as underlying transactions in cash flow hedges against interest rate changes, and are therefore included in the sensitivity calculations.
- Changes in market rates for interest rate derivatives which are not included in a hedging relationship under IAS 39 have an impact on the interest result and are therefore taken into account in the sensitivity calculations.

Market interest rate sensitivity analysis (in kEUR)	Impact on Group equity		Impact on annual Group result	
	2018	2017	2018	2017
Revaluation by 100 basis points	-951	-987	-951	-987
Devaluation by 100 basis points	90	100	90	100

Other price risks:

In the context of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in other price risk variables affect the prices of financial instruments. Stock exchange prices or market averages are particularly suitable risk variables. No financial instruments were held to this effect, either in the year under review or in the previous year.

Earnings per share

The undiluted earnings per share are calculated by dividing the profit after tax attributable to the owners of MAX Automation SE by the weighted average number of shares in circulation in the financial year.

MAX Automation SE has not issued any dilutive instruments at present, therefore the undiluted and diluted earnings per share are identical.

Undiluted/diluted earnings per share:

In EUR	2018	2017
Earnings due to MAX Automation SE shareholders		
per share from continuing operations	0.39	0.48
per share from discontinued operations	-1.44	0.02
Total earnings per share due to MAX Automation SE shareholders	-1.05	0.50

Reconciliation of earnings used to calculate the undiluted/diluted earnings per share:

In kEUR	2018	2017
Earnings for the period due to MAX Automation SE shareholders used to calculate the undiluted/diluted earnings per share		
from continuing operations	11,562	13,453
from discontinued operations	-42,376	512
Total earnings for the period due to MAX Automation SE shareholders	-30,814	13,965

Weighted average number of shares used as denominator:

Number	2018	2017
Weighted average number of shares used as denominator for the undiluted/diluted earnings per share		
Weighted number of shares	29,459,415	27,911,766

In the past financial year, the number of weighted shares corresponds to the number of shares issued. MAX Automation SE completed a cash capital increase in the previous year which is why the weighted number of shares in the previous year differs from the number of shares currently issued.

Segment reporting

The segment reporting section is attached to these Notes.

The breakdown of operations into the Industrial Automation and Environmental Technology segments corresponds to the current status of internal reporting. Allocations to the respective segments are made on the basis of the products and services offered.

The MAX Group operations in the Industrial Automation segment are covered by NSM Magnettechnik GmbH, the bdtronic Group, the MA micro Automation Group, iNDAT Robotics GmbH, Mess- und Regeltechnik Jücker GmbH and AIM Micro Systems GmbH.

The MAX Group operates in the Environmental Technology segment with the companies of the Vecoplan Group.

Further information about the business operations of the individual enterprises is provided in the Group Management Report and can be taken from said source.

Segment-related figures are published in accordance with IFRS 8 and these key ratios are also regularly reported to the Executive Directors and to the Board of Directors and are of central importance for the management of the Company. A particular focus here is on sales and EBIT as performance variables. The working capital is also regularly subjected to more detailed analysis. The internal reporting is consistent with external accounting standards with reference to the IFRS.

The segment report shows the main income and expenses as well as the relevant earnings figures. The segmentation of assets is also observed, whereby the domicile of the Company is the decisive criterion.

Other performance indicators included in the segment report are the average headcount, investments, incoming orders and orders on hand.

Transactions within the Group are generally conducted at arm's length.

The segmentation of revenues is determined by the sales markets. Contrary to the provisions of IFRS 8.33 (a), the Company does not break down sales in the North American market by country as this market is regarded as a single unit in its economic development.

Projects accounted for sales revenues of 221,787,000 euro (previous year: 181,743,000 euro) while sales of 55,596,000 euro (previous year: 69,086,000 euro) were generated by the service and spare parts business. Sales revenues of 29,009,000 euro were earned through one customer in the Industrial Automation segment in 2018.

Events after the reporting period

NSM Magnettechnik GmbH, a subsidiary of MAX Automation SE, sold its shares in **NSM Packtec GmbH** (now trading as Finnah Packtec GmbH) on 9 March 2018 on completion of the sale and agreement of the terms and conditions. The buyer undertakes in the sales contract to enter into an existing contractual performance guarantee which NSM Magnettechnik GmbH issued to a customer of Finnah Packtec GmbH in the course of its acquisition of Finnah Packtec GmbH and to indemnify MAX Automation SE and/or NSM Magnettechnik GmbH from any claims under this guarantee. No such undertakings have materialised to date.

In the course of the sales process, MAX Automation SE also arranged for an advance payment guarantee to be issued by a bank to the same customer of Finnah Packtec GmbH so as not to jeopardise the ongoing projects of Finnah Packtec GmbH or the sales process. The provision of the advance payment guarantee was based on the existing contract performance guarantee.

The advance payment guarantee in the amount of 3,974,000 euro was claimed by the customer of Finnah Packtec on 24 January 2019. A corresponding obligation is recognised in the Annual and Consolidated Financial Statements of MAX Automation SE. MAX Automation SE has allowed for a claim against the buyer of Finnah Packtec GmbH in the same amount on the basis of a legal assessment. The legal assessment is based in particular on the clause in the purchase agreement which provides for the assumption of the contractual performance guarantee and therefore the provision of an advance payment guarantee as well as the exemption from claims by the buyer.

The Company announced on 25 January 2019 that **Dr. Ralf Guckert** of the District Court of Düsseldorf (Amtsgericht Düsseldorf) had been appointed as a Member of the Board of Directors. He replaces Mr. Gerhard Lerch who, as announced on 27 March 2018, resigned from office at the end of 2018 on grounds of age. Dr. Guckert has been Managing Director and Chief Digital Officer at Günther Holding SE in Hamburg since January 2018. Prior to that, he was Chief Technology Officer at Redknee Inc., Toronto/Canada. He has been appointed a Member of the Board of Directors for a fixed term until the election at the next Annual General Meeting. After a constituent meeting, **Dr. Jens Kruse** accepted the office of Chairman of the Board of Directors.

On 4 February 2019, the Company announced that Mr. **Andreas Krause** would manage MAX Automation SE until 1 April 2019. With effect from 1 April, Andreas Krause will strategically develop the Group as Chairman of the Management Board of MAX Automation SE. **Daniel Fink** had already announced in October 2018 that he would not be extending his contract which was due to expire on 31 March 2019. With regard to the future management structure, Daniel Fink and the Company have now agreed that he will be released from his duties with immediate effect. This will not affect his office as a Member of the Board of Directors which he will resign with effect from 31 March 2019. The Board of Directors would like to thank Daniel Fink for his work and commitment over the past years in which he has made a major contribution to MAX Automation.

Other financial obligations

The total amount of other financial obligations as at the reporting date was 19,494,000 euro (previous year: 34,135,000 euro).

These are obligations under rental and tenancy agreements in the amount of 12,106,000 euro (previous year: 10,829,000 euro) and under lease agreements in the amount of 4,633,000 euro (previous year: 9,672,000 euro).

The obligations from other contracts relate to obligations for future investments in financial assets in the amount of 1,739,000 euro which will mainly be made in 2019 and most of which will be serviced in US dollars.

Operating leases

The existing operating leases in the MAX Group mainly relate to lease contracts for real estate, cars, IT equipment, machinery and office equipment. The terms are between 2 and 28 years. There are no renewal and/or purchase options.

The financial obligations accruing from these agreements are as follows:

In kEUR	Up to 1 year	1 to 5 years	Over 5 years	Total (previous year)
	1,974	7,773	2,359	12,106
Obligations under rental and tenancy agreements	(2,999)	(5,081)	(3,049)	(10,829)
	1,918	2,249	466	4,633
Obligations under lease agreements	(2,511)	(5,016)	(2,145)	(9,672)
	2,434	321	0	2,755
Obligations under other contracts	(12,469)	(870)	(295)	(13,634)

Related party transactions

Related companies as defined in IAS 24 are persons and enterprises (including affiliated enterprises) which can be controlled by the enterprise or which can control the enterprise. The enterprises in the MAX Group provide and purchase various services for or from related companies in the course of their business operations.

These supply and service relationships are arranged at standard market terms and conditions. Where services are involved, these are arranged on the basis of existing contracts.

Related enterprises

Sales revenues of 57,000 euro were obtained with related (associated) enterprises, and services to the value of 34,000 euro were purchased in the financial year.

A free consultancy agreement was concluded with Günther Holding SE with effect from 1 September 2014 and was amended on 16 January 2017.

Attributable earn-out payments from the purchase price of ESSERT GmbH totalling 10,000 euro were passed on to a subsidiary of Günther Holding SE in 2018.

Related persons

Business transactions with related natural persons totalled 7,000 euro (previous year: 10,000 euro). These relate to travel expenses incurred by Members of the Board of Directors.

Auditor

Expenses for fees charged by the auditor of 335,000 euro (previous year: 345,000 euro) were incurred in the year under review.

In kEUR	2018	2017
1. Annual audit services	317	297
a) Services for the current year	317	289
b) Services for the previous year	0	8
2. Other certification services	0	0
3. Tax accountancy services	6	30
4. Other services	12	18
Total	335	345

No other certification services were rendered in the current financial year or in the previous year.

Services in connection with the review of the mid-year financial report in accordance with Section 37w (5) WpHG are recorded under audit services.

The other services essentially constitute audit-related advice and services in connection with the review of quarterly reports without any certification being issued in this regard.

CORPORATE BODIES OF MAX AUTOMATION SE

The Management Board of MAX Automation AG was in charge until the conversion to an SE became effective upon entry in the commercial register on 8 February 2018. The Supervisory Board advised and oversaw the Management Board in its management of the Company. Since the conversion, MAX Automation SE has had a monistic management structure which is characterised by the fact that the responsibility for the management of the SE is vested in a single management body, the Board of Directors. The Executive Directors of MAX Automation SE conduct the business of the Company, taking joint responsibility for the goal of adding sustainable value. They implement the basic principles and guidelines set out by the Board of Directors.

Executive Directors

Daniel Fink, Düsseldorf
CEO

Member of the following other supervisory bodies:

- Chairman of the Supervisory Board of Vecoplan AG, Bad Marienberg (from June 2018)

Fabian Spilker, Düsseldorf (until 31 March 2018)
CFO

Member of the following other supervisory bodies:

- Deputy Chairman of the Supervisory Board Vecoplan AG, Bad Marienberg (until June 2018)

Andreas Krause, Boppelsen, Switzerland (from 1 March 2018)
CFO

Member of the following other supervisory bodies:

- Deputy Chairman of the Supervisory Board of Vecoplan AG, Bad Marienberg (from June 2018)

Total compensation of Executive Directors

The following amounts were granted to the Executive Directors of MAX Automation SE in the financial year of 2018:

In kEUR	Daniel Fink, Managing Director (CEO)			
	2017	2018	2018 (min)	2018 (max)
Fixed compensation	320	320	320	320
Ancillary benefits*	33	34	34	34
Total	353	354	354	354
One-year variable payment (STIP)	31	61	0	315
Multi-year variable payment (LTIP)	0	266	0	699
of which 2016 to 2019 program ¹⁾	0	0	0	233
of which 2017 to 2020 program ¹⁾	0	126	0	233
of which 2018 to 2021 program ¹⁾	0	140	0	233
Total	384	681	354	1,368
Pension-related expenses	0	0	0	0
Total compensation	384	681	354	1,368

*The main ancillary benefits were private use of staff car, insurance premiums and rent subsidies for housing

1) Payment in 2019

In kEUR	Fabian Spilker, Managing Director (CFO) until 31.03.2018			
	2017	2018	2018 (min)	2018 (max)
Fixed compensation	220	84	0	0
Severance payment	0	600	0	0
Ancillary benefits*	22	9	0	0
Total	242	693	0	0
One-year variable payment (STIP) ²⁾	20	0	0	0
Multi-year variable payment (LTIP) ²⁾	0	0	0	0
of which 2016 to 2019 program	0	0	0	0
of which 2017 to 2020 program	0	0	0	0
of which 2018 to 2021 program	0	0	0	0
Total	262	693	0	0
Pension-related expenses	0	0	0	0
Total compensation	262	693	0	0

*The main ancillary benefits were private use of staff car and insurance premiums

2) Offset against other compensation components on departure in 2018

MAX NOTES 2018

In kEUR	Andreas Krause, Managing Director (CFO), from 01.03.2018			
	2017	2018	2018 (min)	2018 (max)
Fixed compensation	0	225	225	225
Ancillary benefits*	0	24	24	24
Total	0	249	249	249
One-year variable payment (STIP)	0	42	0	256
Multi-year variable payment (LTIP)	0	92	0	185
of which 2018 to 2021 program	0	92	0	185
Total	0	383	249	690
Pension-related expenses	0	0	0	0
Total compensation	0	383	249	690

*The main ancillary benefits were private use of staff car, insurance premiums and rent subsidies for housing

The following amounts accrued to the Executive Directors of MAX Automation SE in the financial year of 2018:

In kEUR	Daniel Fink Managing Director (CEO)		Fabian Spilker Managing Director (CFO) until 31.03.2018		Andreas Krause Managing Director (CFO) from 01.03.2018 onwards	
	2017	2018	2017	2018	2017	2018
Fixed compensation	320	320	220	84	0	225
Severance payment	0	0	0	600	0	0
Ancillary benefits	33	34	22	9	0	24
Total	353	354	242	693	0	249
One-year variable payment	0	0	0	0	0	0
Multi-year variable payment	0	0	0	0	0	0
Total	353	354	242	693	0	249
Pension-related expenses	0	0	0	0	0	0
Total compensation	353	354	242	693	0	249

The other compensation for the Executive Directors of MAX Automation SE consists of ancillary benefits in kind, mainly including the use of a company car and the provision of a company apartment. The individual Executive Directors are responsible for the taxation on the benefits in kind forming part of the compensation package. Benefits from the D&O insurance were not quantifiable for the Executive Directors of MAX Automation SE as this is a collective insurance policy which covers a number of employees.

Further information can be found in the compensation report in the Group Management Report.

Members of the Board of Directors

Gerhard Lerch, Hannover
Dipl.-Betriebswirt, Consultant

Chairman of the Board of Directors (until 31 December 2018)

Member of the following other supervisory bodies:

- Chairman of the Supervisory Board of Vecoplan AG, Bad Marienberg (until June 2018)

Dr. Jens Kruse, Hamburg
Fully Authorised Representative (Generalbevollmächtigter) of
M.M. Warburg & CO (AG & Co.), Hamburg

Deputy Chairman of the Board of Directors

Member of the following other supervisory bodies:

- Member of the Supervisory Board of Biesterfeld AG, Hamburg
- Deputy Chairman of the Supervisory Board of PNE AG, Cuxhaven

Oliver Jaster, Hamburg
Chairman of the Board of Directors of Günther Holding SE, Hamburg

Member of the Board of Directors

Member of the following other supervisory bodies:

- Member of the Supervisory Board of ZEAL Network SE, London
- Chairman of the Advisory Board of Langenscheidt GmbH & Co. KG, Munich, Langenscheidt Digital GmbH & Co. KG, Munich and Langenscheidt Management GmbH, Munich (internal position in Günther SE Group)
- Chairman of the Advisory Board of all4cloud GmbH & Co. KG, Viernheim and all4cloud Management GmbH, Hamburg (internal position in Günther SE Group)
- Chairman of the Advisory Board of Günther Direct Services, Bamberg and G Connect GmbH, Munich (internal position in Günther SE Group)
- Chairman of the Board of Directors of Günther SE, Bamberg (internal position in Günther SE Group)

Daniel Fink, Düsseldorf
Managing Director of MAX Automation SE

Member of the Board of Directors

Fabian Spilker, Düsseldorf
Managing Director of MAX Automation SE (until 31 March 2018)

Member of the Board of Directors (until 18 May 2018)

Andreas Krause, Boppelsen, Switzerland
Managing Director of MAX Automation SE (from 1 March 2018)

Member of the Board of Directors (from 18 May 2018)

Total compensation of Board of Directors

The compensation paid to the Board of Directors in 2018 amounted to 238,000 euro (244,000 euro).

In kEUR	Fixed compensation		Consultancy services		Total	
	2017	2018	2017	2018	2017	2018
Gerhard Lerch, Chairman	144	132	0	0	144	132
Dr. Jens Kruse, Deputy Chairman	60	60	0	0	60	60
Oliver Jaster	40	40	0	0	40	40

The above excerpt includes fixed compensation of 12,000 euro for Mr. Lerch for the positions on the Supervisory Board of Vecoplan AG.

Further information can be found in the compensation report in the Group Management Report under "Report on Board Members' compensation".

SHAREHOLDINGS SUBJECT TO NOTIFICATION PURSUANT TO SECTION 160 (1) SUBS. 8 AKTG

Mr. **Oliver Jaster**, Germany, notified us on 17 November 2015 in accordance with Section 21 (1) WpHG that his share of the voting rights in our Company exceeded the threshold of 30 % on 17 November 2015 and now amounts to 30.0001 %. This corresponds to 8,038,356 voting rights. A share of 30.0001 % of the voting rights (corresponding to 8,038,356 voting rights) is attributable to Mr. Jaster under Section 22 (1) clause 1 subs. 1 WpHG through Orpheus Capital II GmbH & Co. KG, Hamburg in Germany, Orpheus Capital II Management GmbH, Hamburg in Germany, Günther Holding GmbH, Hamburg in Germany and Günther GmbH, Bamberg in Germany.

The company **Universal-Investment-Gesellschaft mbH**, Frankfurt am Main, Germany, notified us on 18 September 2017 that its share of the voting rights changed from 5.004 % to 4.96 % on 7 September 2017 as a result of the change in the total number of voting rights. A share of 4.96 % of the voting rights (corresponding to 1,460,344 voting rights) is attributable to the company under Section 22 (1) clause 1 subs. 6 WpHG.

MAX Automation released a statement on 19 January 2018 pursuant to Section 33 WpHG that it had received notification on 18 January 2018 that LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany, had reduced its share of the voting rights from 5.25 % to 4.99 % on 12 January 2018 through the sale of voting rights through a separate managed fund of **Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte** and now holds 1,470,724 of the total number of voting rights of 29,459,415.

MAX Automation released a statement on 22 January 2018 pursuant to Section 33 WpHG that it had received notification on 22 January 2018 that **Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte**, Tübingen, Germany, had reduced its share of voting rights from 8.94 % to 4.99 % on 12 January 2018 through the sale of shares with voting rights and now holds 1,470,724 voting rights out of the total of 29,459,415 voting rights.

MAX Automation released a statement on 27 February 2018 pursuant to Section 33 WpHG that it had received notification on 27 February 2018 that **Stüber & Co. Kommanditgesellschaft**, Balzers, Liechtenstein, had reduced its share of the voting rights from 6.08 % to 0.00 % through the sale of shares with voting rights on 20 December 2017 and now holds 0 voting rights of the total number of voting rights of 29,459,415.

MAX Automation released a statement on 27 February 2018 pursuant to Section 33 WpHG that it had received notification on 27 February 2018 that Mr. **Werner O. Weber** had increased his share of the voting rights to 5.53 % on 20 December 2017 through the acquisition of shares with voting rights and now holds 1,630,000 of the total number of 29,459,415 voting rights.

MAX Automation released a statement on 2 July 2018 pursuant to Section 33 WpHG that it had received notification on 2 July 2018 that **Axxion S.A.**, Grevenmacher, Luxembourg, had reduced its share of the voting rights from 5.07 % to 4.80 % on 29 June 2018 through the sale of shares with voting rights and now holds 1,412,630 of the total number of 29,459,415 voting rights.

MAX Automation released a statement on 25 July 2018 pursuant to Section 33 WpHG that it had received notification on 25 July 2018 that **LOYS Investment S.A.**, Munsbach, Luxembourg, had increased its share of the voting rights to 3.145 % on 23 July 2018 through the acquisition of shares with voting rights and now holds 543,452 voting rights out of a total of 29,459,415 voting rights.

MAX Automation released a statement on 29 October 2018 pursuant to Section 33 WpHG that it had received notification on 26 October 2018 that **LOYS Investment S.A.**, Munsbach, Luxembourg, had increased its share of the voting rights from 3.145 % to 5.058 % on 25 October 2018 through the acquisition of shares with voting rights and now holds 1,489,945 voting rights out of a total of 29,459,415 voting rights.

DECLARATION PURSUANT TO SECTION 161 AKTG ON THE CORPORATE GOVERNANCE CODE

As a German listed corporation, MAX Automation SE, Düsseldorf, issued the declaration required under Section 161 AktG on 28 February 2019 and published it on its website at www.maxautomation.com to make it permanently available to the shareholders.

EXEMPTION FROM DISCLOSURE FOR SUBSIDIARIES

The following subsidiaries exercise the right of exemption under Section 264 (3) HGB in respect of the disclosure of their annual accounts and the preparation of the management report and notes for the financial year of 2018:

- MAX Management GmbH, Düsseldorf
- ELWEMA Automotive GmbH, Ellwangen
- MA micro automation GmbH, St. Leon-Rot
- IWM Automation Bodensee GmbH, Bermatingen
- AIM Micro Systems GmbH, Triptis
- iNDAT Robotics GmbH, Ginsheim-Gustavsburg
- bdtronic GmbH, Weikersheim
- IWM Automation GmbH, Porta Westfalica
- NSM Magnettechnik GmbH, Olfen-Vinum
- Mess- und Regeltechnik Jücker GmbH, Dillingen
- Vecoplan AG, Bad Marienberg

MAX Automation SE publishes its Consolidated Financial Statement for the year and Group Management Report in the Federal Gazette (Bundesanzeiger), duly exempting these companies from this duty.

Düsseldorf, 28 February 2019

The Executive Directors

Daniel Fink

Andreas Krause