NEW DIRECTION

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BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

The Annual General Meeting of MAX Automation AG adopted the resolution on 30 June 2017 to change the company to MAX Automation SE while preserving its legal identity. The conversion became effective upon entry of the change of form in the commercial register on 8 February 2018. Until the entry in the commercial register, MAX Automation AG had a two-tier management structure consisting of a Management Board and a Supervisory Board. Since this time, the Board of Directors has been managing the Company, determining the basic outlines of its operations, and overseeing their implementation by the Executive Directors.

The Board of Directors, appointed pursuant to Section 7 of the Articles of Association of MAX Automation SE, reports as follows to the Annual General Meeting in accordance with Section 47 (3) of the Act implementing Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (SE Implementing Act - SE-Ausführungsgesetz - SEAG) in conjunction with Section 171 (2) of the German Stock Corporation Act (Aktiengesetz - AktG):

General information

The Supervisory Board, whose members have all sat on the Board of Directors since the conversion became effective, fully performed the duties and obligations incumbent on it under the law and the Articles of Association until such time as the conversion became effective on 8 February 2018 and therefore also at the beginning of 2018, the year under review.

We hereby report in detail as follows on the work of the Supervisory Board until the conversion and on the work of the Board of Directors from the conversion onwards:

Supervisory Board

The Supervisory Board of MAX Automation AG oversaw the Management Board with great care and due diligence, within the scope of the duties imposed on it by law, the Articles of Association, and the Rules of Procedure, in the financial year of 2018 until the conversion took effect upon its entry in the commercial register. All the major projects of the Management Board, the individual divisions of the Company and the activities of the subsidiaries as well as the respective results were most notably discussed in detail and critically scrutinised at the meetings. The Supervisory Board advised the Management Board both on strategic issues and on key individual measures. On the one hand, the focus was on longer-term internal and external corporate growth and, on the other hand, on issues of management including compliance, risk management and internal control and audit systems.

The Supervisory Board was kept updated by the Management Board, both at meetings and outside meetings and both verbally and in writing, on the current course of business, the trend in earnings, major projects, and variance from planned developments by means of continuous target/actual performance comparisons. All the reports were the subject of in-depth discussions within the Supervisory Board and also between the Supervisory Board and the Management Board. The development prospects and the strategic direction of the Company were also discussed in detail with the Management Board, including financial, investment and personnel planning as well as any risks. The Chairman and Deputy Chairman of the Supervisory Board were in regular contact with the Management Board over and above the Supervisory Board meetings, thereby ensuring that they were kept informed about the current development of the business situation and the main business transactions. The Management Board involved the Supervisory Board in all the relevant decisions.

Board of Directors

The Board of Directors gave its full attention to the strategic, economic and personnel development of MAX Automation SE and of the Group in the financial year of 2018. On the basis of the relevant verbal and written reports of the Executive Directors on the business situation of MAX Automation SE and of the Group, the Board of Directors monitored the management of MAX Automation SE in the financial year of 2018 in accordance with the provisions of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (SE Regulation (SE-Verordnung - SE-VO)), the SE Implementing Act (SEAG) and the German Stock Corporation Act (AktG). Among other things, the reports of the Executive Directors related to fundamental issues of fiscal and investment policy and to the profitability and risk situation of MAX Automation SE and of the Group. Other points of focus were the situation of the IWM companies (IWM Automation Bodensee GmbH, IWM Automation GmbH, IWM Automation Polska Sp.z.o.o.), the sale of the subsidiaries in the field of special-purpose machines/assembly lines for automotive customers, the sale of NSM Packtec GmbH, and the acquisition and integration of MAX Automation (Shanghai) Co. Ltd. The Board of Directors performed the duties incumbent upon it under the law and the Articles of Association of the Company with great care and due diligence, and gave its full attention to the business transactions of the Company and of the Group.

Regular reports were submitted to the Board of Directors on the course of business, with analyses on the divergence from the budget plans and from the previous year, including the documentation on the liquidity and financial situation. All business transactions requiring approval were discussed in detail with the Executive Directors and – where necessary – approval was granted.

The members of the Board of Directors also maintained close contact with the Executive Directors outside the meetings. They also obtained information on the situation and development of the individual companies and of the Group by means of verbal and written reports, discussed the reports of the Executive Directors, and consulted at length with the Executive Directors on issues of business policy, business development and the further progression of the Company and of the Group.

On the basis of the reports and information provided by the Executive Directors, the Board of Directors was satisfied that the management of the Company was in order. The Board of Directors also made certain, by interviewing the Executive Directors, the managers of the subsidiaries and the auditor, that all the requirements of the risk management system were met, both in the parent company and in the Group.

Meetings of the Supervisory Board and the Board of Directors and resolutions passed outside meetings

The Supervisory Board conducted a telephone meeting on 2 February 2018 to discuss the personnel issue of Fabian Spilker and to authorise the Chairman of the Supervisory Board to negotiate a severance agreement.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors met 10 times in the year under review in person and in telephone sessions. All the members of the Board of Directors attended all the meetings. Before the change entailing the preservation of identity was entered in the register, the Board of Directors convened and, subject to the condition precedent of the change preserving identity, passed the resolutions which were necessary to ensure that the Company had due capacity to act in a seamless transition from the time of the conversion.

A Personnel Committee and an Audit Committee were formed in 2018. At its meetings, the Board of Directors dealt with the important business events, corporate planning, and the economic situation of MAX Automation SE and of the MAX Automation Group.

The monitoring and advisory input of the Board of Directors in the Board meetings related primarily to the following matters:

Mr. Andreas Krause was appointed Managing Director of MAX Automation SE with effect from 1 April 2018 in the telephone meeting on 2 February 2018.

At the accounts review meeting on 23 March 2018, the Board of Directors focused on the audit of the Annual and Consolidated Financial Statements, the Combined Management Report and Group Management Report for the financial year of 2017 and on the proposal for the appropriation of the net income. In addition to its own examination, the Board of Directors gave its attention to the inspection conducted by the auditor and the results of the audit, and discussed these in detail with the auditor present at the meeting. This meeting also focused on the development of the subsidiaries at the beginning of the financial year of 2018, the analysis of the working capital, the integration of MAX Automation (Shanghai) Co., Ltd., the sale of NSM Packtec GmbH, M&A issues and the agenda for the Annual General Meeting. The regular declaration of compliance with the German Corporate Governance Code ("GCGC"), as published in the Federal Gazette (Bundesanzeiger) of 7 February 2017, was also adopted pursuant to Art. 9 (1) subs. c) (ii) of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (SE Regulation) and Section 22 (6) of the SE Implementing Act (SEAG) in conjunction with Section 161 (1) of the German Stock Corporation Act (AktG), and the proportion of women on the Board of Directors and in the next tier of management was fixed.

Personnel issues and a strategy for the location of IWM Automation Bodensee GmbH were discussed in the telephone meeting on 15 May 2018.

In addition to the business development of the Group companies and of the Group in the financial year of 2018, the problem areas of the IWM companies were discussed in depth at the meeting on 22 June 2018, and the 2021 strategy was reviewed against the background of a possible exit from the Mobility Automation segment, and various M&A issues were raised. The Rules of Procedure of the Board of Directors were also amended and the Personnel Committee was formed at this meeting.

The telephone meeting on 17 July 2018 focused on the restructuring of IWM Automation Bodensee GmbH, and IMW Automation GmbH, and on the introduction of uniform Group accounting standards and of an ERP system landscape.

A decision was made in the telephone meeting on 13 September 2018 on an advance payment guarantee for a project of NSM Packtec GmbH which had already been sold.

The Executive Directors reported once again and in more detail on the business development of the Group and of the segments at the meeting on 24 and 25 September 2018, making particular reference to the measures taken at IWM Automation Bodensee GmbH, and IWM Automation GmbH, the sale of the companies in the Mobility Automation segment, and the strategic direction of Vecoplan AG and of ESSERT GmbH. Personnel matters and the structure of MAX Automation Holding were also discussed. The decision was also taken to re-advertise for the auditor.

The MBO considerations of the management of AIM Micro Systems GmbH and the appointment of a new Managing Director of iNDAT Robotics GmbH were discussed in the telephone meeting on 18 October 2018.

A possible bridging loan up to the time of the capital increase at ESSERT GmbH was discussed in the telephone meeting on 12 November 2018, and it was decided that a capital increase should be carried out after the 2018 Annual Financial Statement has been audited. In the resolution by circulation passed on 22 November 2018, the Executive Directors were instructed to pursue the MBO considerations regarding the sale of the shares in AIM Micro Systems GmbH further, after this had been discussed in detail at the meeting on 12 November 2018.

Various subjects were discussed at the meeting on 19 December 2018, starting with the course of business in 2018 with regard to the report on the Group as a whole and on the individual Group companies and the results. The status of the measures relating to the IWM companies was then discussed and the report of the Audit Committee and the selection process of the auditor were explained. The planning for 2019 was then raised and discussed, and updates were issued on the progression of the sale of certain Group companies. Personnel matters in general and with specific regard to the vacancies on the Vecoplan Supervisory Board and the vacancies on the Essert GmbH Advisory Board were discussed and resolved.

The Board of Directors also passed resolutions by circulation outside the meetings. These related in particular to an amendment of the Articles of Association of MAX Automation SE in accordance with the 2017 Conversion Plan, personnel matters, the sale of NSM Packtec GmbH, investments, the measures regarding the IWM Group, the improvement of the annual financial reporting processes and, related to this, the internal inspection system as part of the Next Level Corporate Reporting project.

The Board of Directors also regularly reviewed the monthly reports presented at the Board meetings. These contain information on the trend in sales and earnings of the companies and of the Group by segment as well as the presentation and analysis of the liquidity and financial situation and of any departures from the budget. The risk management system is also discussed regularly.

Organisation of the work of the Board of Directors

The following committees were appointed in 2018, pursuant to Section 34 (4) clause 1 SEAG, in order to optimise the processes and voting procedures within the Board of Directors.

Personnel Committee

The Personnel Committee held its constituent meeting on 22 June 2018 and met eight further times in 2018. Within the scope of its responsibilities, it dealt with personnel matters relating to the Executive Directors and their contracts and also engaged with the principles of human resources management and personnel development. The Personnel Committee also met to discuss the future management structure of MAX Automation SE and to authorise the search assignments for a further member of the Board of Directors and a manager for the Evolving Technologies business unit.

Members of the Personnel Committee in financial year 2018:

- Oliver Jaster (Chairman)
- Dr. Jens Kruse
- Gerhard Lerch

Audit Committee

The Audit Committee held its constituent meeting on 25 September 2018 and met three further times in 2018. In addition to advertising for the auditor for the Annual and Consolidated Financial Statements for the financial year of 2019, it dealt with the Company's planning for 2019 and the improvement of the annual financial reporting processes and, related to this, the internal inspection system as part of the Next Level Corporate Reporting project. It also discussed the status of the divestment process of the companies in the field of special-purpose machines/assembly lines for automotive customers and the new management structure from April 2019 onwards.

Members of the Audit Committee in financial year 2018:

- Dr. Jens Kruse (Chairman)
- Oliver Jaster
- Andreas Krause

Changes in personnel

Mr. Fabian Spilker, Member of the Management Board of MAX Automation AG, and Managing Director and Member of the Board of Directors of MAX Automation SE since the conversion became effective, resigned from office with effect from the end of the Annual General Meeting on 18 May 2018.

The Board of Directors appointed Mr. Andreas Krause as Managing Director (CFO) of MAX Automation SE for a term of three years with effect from 1 April 2018. In a proposal to the Annual General Meeting of MAX Automation SE, the Board of Directors nominated Mr. Krause for election to the Board of Directors of the Company. The Annual General Meeting of MAX Automation SE acted on this proposal.

Mr. Gerhard Lerch resigned as Chairman of the Board of Directors with effect from 31 December 2018 on grounds of age. Dr. Ralf Guckert was appointed as his successor by the District Court of Düsseldorf (Amtsgericht Düsseldorf) by way of the resolution dated 24 January 2019. His appointment will stand until the next Annual General Meeting of MAX Automation SE.

Mr. Daniel Fink will resign as Managing Director and Member of the Board of Directors on expiry of his contract of service on 31 March 2019. With regard to the future management structure, Daniel Fink and the Company have agreed that he will be released from his duties with effect from 4 February 2019. MAX Automation SE will be managed by Mr. Andreas Krause alone until 1 April 2019.

Risk management

All risk areas, as identifiable from the perspective of the Board of Directors, were discussed. The Board of Directors is satisfied that the Executive Directors have put in place a functioning risk management system. The risk management procedures were examined by the auditor. The auditor has confirmed that the Executive Directors have taken the measures required under Art. 9 (1) subs. c) (ii) SE-VO and Section 22 (6) SEAG in conjunction with Section 91 (2) AktG and have established a monitoring system which is capable of the early detection of developments which could jeopardise the continued existence of the Company and of the Group. The auditor did not identify any events to be reported to the Board of Directors in the course of this audit.

Separate and Consolidated Financial Statements 2018

As a capital market-orientated company pursuant to Art. 9 (1) subs. c) (ii) and Art. 61 SE-VO in conjunction with Section 316 (1) clause 1, Section 267 (3) clause 2 and Section 264 d) of the German Commercial Code (Handelsgesetzbuch - HGB), MAX Automation SE is subject to statutory auditing duties. The Annual Financial Statement for MAX Automation SE and the Consolidated Financial Statement for the year ending 31 December 2018 and the Combined Management Report and Group Management Report together with the bookkeeping system, were inspected by the auditor, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, and issued with unqualified audit certificates. The auditor thereby confirmed that, in its opinion based on the findings of the audit, the Annual Financial Statement and the Consolidated Financial Statement give a true and fair view of the net assets, financial position and results of operations of MAX Automation SE and of the Group in accordance with the applicable financial reporting framework. The auditor also confirmed that the Combined Group Management Report and the Management Report are consistent with the Annual and Consolidated Financial Statements and provide a true picture of the overall situation of MAX Automation SE and of the Group and accurately reflect the opportunities and risks of their future development.

The auditor was appointed by the Annual General Meeting on 18 May 2018 at the proposal of the Board of Directors and was instructed in writing by the Board of Directors after the Annual General Meeting to audit the accounts. The Board of Directors also agreed with the auditor that the latter would duly inform it and note in the audit report if facts were discovered during the course of the audit which indicate an inaccuracy in the statement issued by the Board of Directors, including the Executive Directors, regarding the German Corporate Governance Code (GCGC), as amended 7 February 2017 and published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on 24 April 2017. Before proposing Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, to the Annual General Meeting as auditor for the Annual and Consolidated Financial Statements, the Board of Directors had received confirmation from the auditor, addressed in writing to the Chairman of the Board of Directors, that there were no circumstances which could affect its independence as auditor or give rise to doubts as to its impartiality. The auditor also declared the extent to which services aside from the audit had been performed for the Company in the previous financial year or had been contractually agreed for the following year. It was also agreed with the auditor that the Chairman of the Board of Directors would be informed without delay of any grounds for disqualification or conflicts of interest which might arise during the audit, unless these are immediately remedied. It was further agreed that the auditor would report immediately on all findings and events of importance to the remit of the Board of Directors which arise in the course of conducting the audit.

The drafts and copies of the accounting documents for the Company and for the Group as well as the proposal of the Executive Directors for the appropriation of the net income were submitted to the Board of Directors in sufficient time in advance to allow a thorough examination of all the documents.

At the accounts review meeting of the Board of Directors on 4 March 2019, the Executive Directors explained the accounting and consolidated accounting procedures and put forward their proposal for the appropriation of the net income. Questions asked by the Members of the Board of Directors were also answered by the Executive Directors. The Board of Directors examined the accounting documents after they had been explained by the Executive Directors, taking due account of the audit reports issued by the auditor. The auditor, who was present at the accounts review meeting of the Board of Directors, reported in detail on the audit and on the results of the audit, explained the audit report and answered the questions asked by the Members of the Board of Directors.

The auditor also reported that the audit had not revealed any significant weaknesses in the internal control and risk management system with regard to the accounting process as defined in Section 171 (1) clause 2 AktG. The auditor added that there were no circumstances which would give cause for concern regarding conflicts of interest and informed the meeting which services were provided by the auditor aside from the audit. The Board of Directors came to the conclusion that the auditor had the required impartiality.

Having assessed the procedures, the Board of Directors was satisfied that the audit had been conducted in due and proper form by the auditor. It was confident, most importantly, that the audit reports – and the audit itself – complied with the legal requirements. The Board of Directors subsequently gave its approval to the result of the audit and, in the absence of any objections to the final outcome of its own review, it adopted the Annual Financial Statement, the Consolidated Financial Statement and the combined management report on the Company and the Group (including the Corporate Governance Statement pursuant to Section 289f HGB). The Annual Financial Statement is therefore approved. In its assessment of the situation of the Company and the Group, the Board of Directors agrees with the assessment expressed by the Executive Directors in the combined report on the position of the Company and of the Group. This also applies in particular to the statements on the further development of the Company. The Board of Directors examined and endorsed the proposal submitted by the Executive Directors for the appropriation of the net income, especially in consideration of the development of the Company, the impact on liquidity, and the shareholder interests.

The Board of Directors also included the Corporate Governance Statement in its audit and expressly approved it.

The Board of Directors also examined the non-financial report to be prepared separately pursuant to Section 289 b) and Section 315 b) HGB.

Finally, the Board of Directors passed this report to the Annual General Meeting at its accounts review meeting on 4 March 2019.

Conformity Statement

The Supervisory Board and the Board of Directors looked into the rules for good business management ("Corporate Governance") in detail in the financial year of 2018, especially as a result of converting to the monistic SE structure.

The Board of Directors issued the annual Conformity Statement on 23 March 2018, pursuant to Art. 9 (1) subs. c) (ii) SE-VO and Section 22 (6) SEAG in conjunction with Section 161 (1) AktG, and published it on the Internet. Further details on the principles of Corporate Governance and their implementation are presented here.

The Board of Directors conducted an efficiency review in 2018 in accordance with the requirements set out in subs. 5.6 of the GCGC. The Members of the Supervisory Board and, following the conversion to MAX Automation SE, also the Members of the Board of Directors individually satisfied the further training brief imposed on them under subs. 5.4.5 (2) of the GCGC by reading the latest literature on the relevant subjects and/or by attending events, especially on issues relating to the proper performance of the duties, Corporate Governance and financial reporting.

The Board of Directors also examined the report submitted to it on relations with affiliated enterprises for the financial year of 2018 (Dependency Report) in accordance with the requirements set out in Section 314 AktG. The Dependency Report was also inspected by the auditor and the following confirmation was issued:

After our dutiful examination and assessment, we confirm that:

a) the actual details of the report are correct and

b) the company's performance in the transactions listed in the report was not unreasonably high.

The auditor's report on the Dependency Report was also made available to all the Members of the Board of Directors. The Board of Directors did not raise any objections following the explanation by the auditor and the Executive Directors. It noted and approved the results of the audit of the Dependency Report by the auditor.

Conflicts of interest and action in response

Any transactions between MAX Automation SE or companies of the MAX Automation Group and companies which involve individual Members of the Board of Directors are discussed by the Board of Directors. The relevant Members of the Board of Directors do not take part in the discussion or participate in the adoption of any resolutions in order to avoid even the mere appearance of a conflict of interest. The same procedure was followed in the event of conflicts of interest on the part of Members of the Supervisory Board of MAX Automation AG. The requirements set out in subs. 5.5 of the GCGC were thereby met in full.

The Board of Directors would like to thank the Executive Directors and former Management Board Members as well as the Management Boards and Executive Directors of the subsidiaries and all employees of the MAX Automation Group for their hard work, dedication and success in the past financial year.

Düsseldorf, 28 February 2019

Chairman of the Board of Directors

Dr. Jens Kruse

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

In accordance with the recommendation in section 3.10 of the German Corporate Governance Code (GCGC) of 7 February 2017, the Board of Directors and the Executive Directors report as follows on the Corporate Governance of MAX Automation SE.

Compliance with nationally and internationally recognised standards for business management accountability and oversight (Corporate Governance) is an important criterion for investors when making investment decisions. MAX Automation SE sees the German Corporate Governance Code as a suitable means of securing and strengthening the confidence of the capital market in the Company and in the MAX Automation Group. The following Corporate Governance Report summarises the main Corporate Governance principles which are relevant for the management of MAX Automation SE.

General information on the management structure

Until its conversion to MAX Automation SE with the entry in the commercial register on 8 February 2018, MAX Automation AG was subject in particular to the provisions of German stock corporation law, the capital market regulations, and the provisions of the Articles of Association. MAX Automation AG had a two-tier management and oversight structure with its Management Board and Supervisory Board. The Management Board and Supervisory Board were committed to the interests of the shareholders and to the good of the Company and felt bound to their duty in this regard. Their internal arrangements were laid down in Rules of Procedure which supplemented the statutory provisions and the Articles of Association. The Annual General Meeting was the third governing body of the Company.

Following its conversion to an SE, MAX Automation SE is subject in particular to the provisions of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (SE Regulation (SE-Verordnung - SE-VO)), of the Act Implementing Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (SE Implementing Act (SE-Ausführungsgesetz - SEAG)) and remains subject to the majority of the provisions set out in German stock corporation law and, as before, to the capital market regulations and to the provisions of the Articles of Association adopted for the SE. MAX Automation SE has 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 conduct the business of the Company. As the Management Board and Supervisory Board before them, the Board of Directors and the Executive Directors feel committed to the interests of the shareholders and to the good of the Company. Their internal arrangements are laid down in Rules of Procedure which supplement the provisions and the Articles of Association. The Annual General Meeting is the second governing body of the Company.

Supervisory Board of MAX Automation AG

The Supervisory Board of MAX Automation AG, which was in office until the conversion to an SE became effective upon the commercial register entry of the Company on 8 February 2018, consisted of three Members who were elected by the Annual General Meeting. The Supervisory Board advised and oversaw the Management Board in its management of the Company.

The Rules of Procedure of the Supervisory Board provided for clear and transparent procedures and structures as part of the monitoring and control process.

The Management Board and Supervisory Board worked closely together and in a spirit of trust in the interests of MAX Automation AG. The focal points of the cooperation between the Management Board and the Supervisory Board can be found in the "Report of the Board of Directors" which is an integral part of the business report.

In addition to the statutory provisions, the Supervisory Board was guided in its proposals for the election of the Members of the Supervisory Board solely by the professional and personal suitability of the candidates and by appropriate considerations of expediency in support of the purpose and role of the Supervisory Board. These included, for example, the affiliation of Members with relevant business experience (cf. explanatory notes in the Conformity Statement with the Code subs. 5.4.1). The Supervisory Board refrained from stating more concrete objectives for its composition, especially as the mere naming of such concrete objectives does not necessarily entail an improvement in the quality of the work of the Supervisory Board.

Management Board of MAX Automation AG

The Management Board of MAX Automation AG, which was in office until the conversion to an SE became effective upon entry in the commercial register on 8 February 2018, managed the Company, conducted its business, and was bound by the interests of the Company in these actions. The objective of its work was to increase the sustainable value of the Company. It developed the strategy of the Company, discussed and agreed the direction with the Supervisory Board, and ensured that the strategy was adopted. It was also responsible for the Company's annual and multi-year planning and for preparing the legally required reports, such as the Annual/Consolidated Financial Statements and interim reports. It also ensured appropriate risk management and risk control as well as regular, prompt and detailed reports to the Supervisory Board on all issues of strategy, corporate planning, business development, the risk situation and risk management relevant to the Company and to the Group.

The Supervisory Board had defined the information and reporting obligations of the Management Board in more detail. Major transactions were subject to the approval of the Supervisory Board. Measures and transactions of fundamental importance were communicated to the shareholders and to the capital market in good time in order to allow transparency in decision-making processes throughout the year and to keep the operators in the capital market adequately informed. The Rules of Procedure of the Management Board dictated which transactions were subject to approval.

Board of Directors of MAX Automation SE

The Board of Directors of MAX Automation SE, which has been in office since the conversion became effective upon the commercial register entry of the Company on 8 February 2018, manages the Company, determines the basic foundations of its activities, and oversees their implementation by the Executive Directors. It appoints and dismisses the Executive Directors, decides on their compensation system and sets the respective compensation levels.

The Board of Directors is composed of five Members, in accordance with the Articles of Association, who are appointed by the Annual General Meeting. At least one Member must have expertise in financial, accounting or auditing matters. The Articles of Association of MAX Automation SE named the Members of the first Board of Directors as Mr. Gerhard Lerch, Dr. Jens Kruse, Mr. Oliver Jaster, Mr. Daniel Fink and Mr. Fabian Spilker. The Members of the first Board of Directors were appointed until the end of the Annual General Meeting which formally approves the actions of MAX Automation SE in the first financial year, but for no longer than three years from the date of the commercial register entry of the Company as MAX Automation SE. Subject to this provision for the first Board of Directors, the maximum term of appointment of the Members of the Board of Directors will be until the end of the Annual General Meeting which formally issues the approvals for the fourth financial year after the beginning of the term of office or no longer than six years. The financial year in which they take office will not be included in this calculation. Reappointments are allowed.

Mr. Fabian Spilker resigned from the Board of Directors of the Company at his own request at the end of the Annual General Meeting on 18 May 2018. The Annual General Meeting on 18 May 2018 elected Mr. Andreas Krause for the remainder of the term of office of the departing member Mr. Fabian Spilker at the proposal of the Board of Directors. In other respects, the composition of the Board of Directors has remained unchanged.

Meetings of the Board of Directors are held as often as dictated by law or by operational requirements, but at least every three months. In other respects, the Board of Directors is to be convened if a Member of the Board of Directors asks for a meeting to be convened, stating the purpose and the reasons.

The Board of Directors has formed a Personnel Committee and an Audit Committee in order to fulfil its brief. The Board of Directors insists on regular reports about the work of the Committees.

Executive Directors of MAX Automation SE

The Executive Directors of MAX Automation SE conduct the business of the Company, taking joint responsibility for the goal of adding sustainable value. They represent the Company in and out of court. The Executive Directors are bound to abide by the instructions of the Board of Directors and implement the basic principles and guidelines set out by the Board of Directors.

The Executive Directors are appointed by the Board of Directors. The Board of Directors also determines the number of Executive Directors. Members of the Board of Directors may be appointed as Executive Directors, provided that Executive Directors do not make up the majority of the Board of Directors. The Executive Directors are appointed for a maximum term of five years. Reappointments are allowed. The Company is represented by two Executive Directors jointly or by one Managing Director together with an authorised signatory ("Prokurist"). If there is only one Managing Director, the latter represents the Company alone. MAX Automation SE currently has two Executive Directors who are also Members of the Board of Directors, Mr. Daniel Fink and Mr. Andreas Krause.

The Executive Directors obtain the approval of the Board of Directors in the cases where this is required by law, the Articles of Association, the Rules of Procedure for the Executive Directors or by a resolution passed by the Board of Directors. The Executive Directors inform the Board of Directors regularly, promptly and extensively on all issues relevant to the Company with regard to strategy, planning, financing of business development, the risk situation, risk management, compliance and the economic situation of the Company. They explain any departures taken in the course of business from the agreed plans and set targets, stating the reasons for any such departures.

The Executive Directors are obliged to disclose conflicts of interest to the Board of Directors without delay and to inform the other Executive Directors accordingly.

The principles of cooperation between the Executive Directors of MAX Automation SE are outlined in the Rules of Procedure for the Executive Directors.

Annual General Meeting

The shareholders have exercised and continue to exercise their rights at the Annual General Meeting where they also exercise their voting rights. MAX Automation SE – and MAX Automation AG before the conversion – only has shares carrying full voting rights. Each share grants one vote. The Annual General Meeting is held within the first six months of each financial year. The agenda for the Annual General Meeting, including the reports and documents requested for the Annual General Meeting, are published on the Company's website at www.maxautomation.com/en/investor-relations/annual-general-meeting/ and www.maxautomation.com/en/investor-relations/financial-reports/.

In order to facilitate the exercise of their rights, MAX Automation SE provides the shareholders with a proxy who is bound by their instructions for the Annual General Meeting. The invitation to the Annual General Meeting explains how voting instructions can be issued prior to the Annual General Meeting.

The shareholders are also at liberty to be represented by a proxy of their choice. The registration and legitimisation procedure is the same as for registered shares in Germany where – following due and proper registration – the person who is entered as the shareholder in the share register on the day of the Annual General Meeting can attend the Annual General Meeting as such. In principle, no further changes are made to the register at the end of the seventh day prior to the meeting (so-called Technical Record Date) therefore the Technical Record Date is the cut-off date for the legitimisation of shareholders for attendance at the Annual General Meeting.

Accounting, auditing and risk management

The Consolidated Financial Statement of MAX Automation SE is prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), while the Annual Financial Statement and the combined report on the position of the Company and of the Group are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB).

Before submitting the nominations for election to the Annual General Meeting on 18 May 2018, the Board of Directors of MAX Automation SE obtained confirmation of the independence of the proposed auditor. The auditor was asked by the Chairman of the Board of Directors to report immediately on all matters arising during the audit which, in the broadest sense, relate to the duties of the Board of Directors with regard to material findings or events if these cannot be remedied immediately. The Conversion Plan, which was approved by the Annual General Meeting on 30 June 2017, provides for the appointment of Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, as auditor for the first financial year of MAX Automation SE.

The risk management system currently in place at MAX Automation SE is designed to uncover, record, evaluate and control the business risks and financial risks to which the Company is exposed in the course of its activities. The individual elements of the monitoring system provide reliable information on the current risk situation and help with documentation, risk assessment and the elimination of weak points. They therefore help to minimise the risks resulting from the negative effects which may potentially arise. Detailed information on the risk management system can be found in the combined report on the situation of the Company and of the Group.

Transparency

MAX Automation SE uses the Company's website www.maxautomation.com to provide information to shareholders and investors promptly. In addition to the annual report and the interim reports (mid-year financial report and quarterly financial reports), shareholders and third parties are informed about current developments by way of ad hoc announcements and press releases.

MAX Automation SE publishes a financial calendar marking all the main diary dates and publications of the Company with sufficient advance notice.

Reportable securities transactions and significant voting rights interests

In accordance with the provisions of the Market Abuse Regulation (MAR), MAX Automation SE publishes the Directors' Dealings immediately upon their receipt pursuant to Art. 19 MAR, i.e. the notifications issued by Members of the Board of Directors, the Executive Directors and by other persons performing managerial duties at MAX Automation SE as defined in Art. 19 MAR, and it also publishes announcements issued by natural and legal persons closely related to these persons regarding transactions in securities relating to the MAX Automation share. These notifications are also published on the Company's website under www.maxautomation.com/en/investor-relations/corporate-governance/.

The Company also publishes, immediately upon their receipt, notifications of the acquisition or sale of significant voting rights pursuant to Section 33 (formerly Section 21) of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG) or of the holding of financial instruments and other instruments pursuant to Section 38 (formerly Section 25) WpHG and of the holding of further financial instruments and other instruments pursuant to Section 39 (formerly Section 25a) WpHG on the website under www.maxautomation.com/en/investor-relations/corporate-governance/. The corresponding notifications for the past financial year are also shown in the Notes to the Consolidated Financial Statement in the annual report.

Conformity Statement – German Corporate Governance Code

On 4 March 2019, the Board of Directors issued the Conformity Statement pursuant to Art. 9 (1) subs. c) (ii) SE-VO and Section 22 (6) SEAG in conjunction with Section 161 AktG. Any departures from the recommendations set out in the German Corporate Governance Code were noted and explained. The Conformity Statement including the reasons for the departures can be found on the Company's website at www.max-automation.com/en/investor-relations/corporate-governance/.

The current and previous versions of the Conformity Statement dating back to 2008 are also permanently available to the shareholders at the above Internet address.

COMPENSATION REPORT IN THE CORPORATE GOVERNANCE REPORT

Basis elements of the compensation system for the Executive Directors

The compensation of the individual Executive Directors in office in the financial year of 2018 is disclosed in the Notes and in the Combined Management Report and Group Management Report.

Compensation of the Members of the Board of Directors

The compensation of the Members of the Board of Directors in the financial year of 2018 is listed in the Notes and in the Combined Management Report and Group Management Report.

Stock option programs and similar securities-based incentive schemes

There are no stock option plans or similar securities-based incentive schemes at MAX Automation SE.

Corporate Governance Statement

This Corporate Governance Report is published in connection with the Corporate Governance Statement. The Corporate Governance Statement can be found on the Company's website at www.maxautomation.com/en/investor-relations/corporate-governance/.

Düsseldorf, 28 February 2019

The Board of Directors and the Executive Directors

Dr. Jens Kruse (Chairman)	Daniel Fink (Managing Director)	Andreas Krause (Managing Director)

CONFORMITY STATEMENT

CONFORMITY STATEMENT

Statement of the Board of Directors of MAX Automation SE concerning the recommendations of the "Government Commission German Corporate Governance Code" pursuant to Article 9 (1) lit. c) (ii) SE-VO, Section 22 (6) SEAG in combination with section 161 AktG.

MAX Automation SE complies and will continue to comply with the recommendations set out in the German Corporate Governance Code (GCGC), as amended 7 February 2017 (the Code), published by the Federal Ministry of Justice in the official section of the Federal Gazette on 24 April 2017, with the following exceptions and taking due account of the special features of the monistic system of MAX Automation SE outlined below.

MAX Automation SE has also complied with all the recommendations since the last Conformity Statement was issued on 28 February 2018, with the following exceptions and taking due account of the special features of the monistic system of MAX Automation SE set out below.

Particularities of the monistic Corporate Governance System

The monistic system 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, in accordance with Art. 43-45 SE-VO in conjunction with SectionSection 20 ff. SEAG. The Board of Directors manages the Company, determines the basic outlines of its operations, and oversees their implementation by the Executive Directors. The Executive Directors conduct the business of the Company, represent the Company in and out of court, and are bound to abide by instructions of the Board of Directors.

In principle, MAX Automation SE applies the Code for the Supervisory Board to the Board of Directors of MAX Automation SE and the Code for the Management Board to the Executive Directors. The following exceptions apply, however, with regard to the legal structure of the monistic system:

- Contrary to subs. 2.2.1 clause 1 of the Code, the Board of Directors must submit the Annual Financial Statement and the Consolidated Financial Statement to the Annual General Meeting under Section 48 (2) clause 2 SEAG.
- Contrary to subs. 2.3.1 clause 1 and subs. 3.7 para. 3 of the Code, the Board of Directors is responsible for convening the Annual General Meeting under Section 48 and Section 22 (2) SEAG.
- The duties of the Management Board set out in subs. 4.1.1 (management of the enterprise) and subs. 4.1.2 in conjunction with subs. 3.2 clause 1 (development of the strategic direction of the enterprise) of the Code are incumbent on the Board of Directors under Section 22 (1) SEAG.
- The responsibilities of the Management Board set out in subs. 2.3.2 clause 2 (proxy bound by instructions), subs. 3.7 para. 1 (statement in response to a takeover bid) and para. 2 (action in the event of a takeover bid) as well as in subs. 3.10 (Corporate Governance Report), subs. 4.1.3 (compliance) and subs. 4.1.4 (risk management and risk control) of the Code are incumbent on the Board of Directors of MAX Automation SE under Section 22 (6) SEAG.
- Contrary to subs. 5.1.2 para. 2 clauses 1 and 2 of the Code, Executive Directors are not subject to a fixed and maximum permissible term of appointment, unlike Management Board Members, under Section 40 (1) clause 1 SEAG.

- Contrary to subs. 5.4.2 clause 2 and subs. 5.4.4 of the Code, Members of the Board of Directors may be appointed as Executive Directors, provided that Executive Directors do not make up the majority of the Board of Directors, under Section 40 (1) clause 2 SEAG.

Exceptions to the recommendations of the Code

The following recommendations are not followed or have not been fully adopted in the past:

Relating to 3.8

The D&O insurance taken out by MAX Automation SE for the Members of its Board of Directors does not include a deductible due to the fact that this is a collective insurance policy which also covers a number of employees in Germany. According to the statutory regulations, however, a deductible is agreed for the Executive Directors but not for the Members of the Board of Directors. MAX Automation SE is of the opinion that the motivation and responsibility with which the Members of the Board of Directors perform their duties will not be improved by such a deductible. For this reason, a deductible for the Members of the Board of Directors will continue to be waived.

Relating to 5.3

The Supervisory Board of MAX Automation AG consisted of three Members until the conversion of the Company to an SE. It was therefore not possible under stock corporation law to form committees with a quorum, especially an Audit Committee. Nor did it appear wise, in view of the size of the Supervisory Board, to form committees with decision-making powers, most notably a Nomination Committee. The Board of Directors of MAX Automation SE formed a Personnel Committee and an Audit Committee in 2018. It decided against the formation of a Nomination Committee.

Relating to 5.4.1

An age limit for Members of the Supervisory Board of MAX Automation AG or a standard limit on the length of service on the Supervisory Board was not set before the conversion to MAX Automation SE, since such limits on terms of office on the Supervisory Board might have been detrimental in failing to give consideration to the individuality of the Members and the value of many years of experience. After the conversion to an SE, the Board of Directors of MAX Automation SE decided to introduce both an appropriate age limit and an appropriate standard limit for the length of service on the Board of Directors which takes account of the concerns of the Code and the practice of the Company hitherto. A departure in this respect is therefore applicable only to the past.

In addition to the statutory provisions, the Supervisory Board was guided in its proposals for the election of the Members of the Supervisory Board solely by the professional and personal suitability of the candidates and by appropriate considerations of expediency in support of the purpose and role of the Supervisory Board. These included, for example, the affiliation of Members with relevant business experience. The Supervisory Board refrained from stating more concrete objectives for its composition, especially as the mere naming of such concrete objectives does not necessarily entail an improvement in the quality of the work of the Supervisory Board. This also applies to the Board of Directors after conversion to an SE.

Relating to 5.4.3

The Company reserves the right to apply for the appointment of a Member of the Board of Directors by the court, including for an indefinite term. The aim in principle, however, is to limit any appointment by the district court (Amtsgericht) to the period until the next Annual General Meeting in order to preserve the shareholders' participation rights in the composition of the Board of Directors in the best possible way.

Relating to 5.4.6

In the absence of the formation of committees, it was not possible to take account of the status of chair or membership of committees at MAX Automation AG in the compensation of the Supervisory Board. After the formation of the committees of the Board of Directors at MAX Automation SE after the conversion, the Members of the Board of Directors will not be remunerated separately for their work on the committees.

Relating to 7.1.2

Before conversion to an SE, the mid-year and quarterly financial reports were only discussed with the Chairman of the Supervisory Board rather than with the entire Supervisory Board prior to their publication, since the Management Board saw this as the only way to maintain the necessary flexibility. This will apply accordingly after conversion to an SE until September 25, 2018, i.e. discussion will take place only with the Chairman of the Board of Directors. On September 25, 2018, an Audit Committee was formed to which the financial reports will be explained prior to publication.

Düsseldorf, 28 February 2019

Board of Directors

Dr. Jens Kruse (Chairman)	Daniel Fink (Managing Director)	Andreas Krause (Managing Director)

GROUP MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT OF MAX AUTOMATION SE FOR THE FINANCIAL YEAR 2018

BASIS OF THE PARENT COMPANY AND THE GROUP

Business model

Based in Düsseldorf, MAX Automation SE and its subsidiaries operate internationally and supply automation solutions in long-term growth industries. The subsidiaries are leading providers of integrated and complex systems and components in their fields. MAX Automation engages in segments with long-term growth potential, above-average margins and limited volatility.

The business operations were divided into two segments (Group Divisions) in 2018, the year under review: the Industrial Automation segment, where the Group invests its extensive knowledge of technology in the development and production of integrated and proprietary solutions for production and assembly in key industries characterised by sustained growth, such as medical technology, the automotive industry and electronics, and the Environmental Technology segment, where MAX Automation develops and installs complex systems for the recycling, energy and extractive industries.

The companies in the MAX Automation SE Group claim to be leaders in the technology in their respective markets. They develop complex automation and process solutions for their customers – including on an international scale. They offer a wide range of services, encompassing individual technical components and processes as well as turnkey automation systems. They also act as full-system providers for their customers and offer services like consultancy (including analyses, tests and feasibility studies), production support, servicing/repair and software development. The Group companies are therefore in a position to act as one-stop shops offering integrated automation solutions of high technical complexity and services of various kinds, such as for the maintenance of machines and systems and for the training of employees.

The MAX Automation Group operates primarily in target markets in Europe, North America, South America and Asia. The Group companies develop and produce their automation solutions in Germany predominantly and also at sites in the USA and Poland. They also have international sales and service offices to provide local support for their customers all over the world.

As the ultimate holding and lead Company, MAX Automation SE is responsible for the strategic and financial management of the Group. It also decides which strategic and operational measures are suitable and monitors the situation to ascertain that they are put in place in order to ensure that the stated aims of the Group companies and of the Group are achieved.

At the end of September 2018, the Board of Directors made the strategic decision to withdraw from the manufacture of special-purpose machines/assembly lines for automotive customers and to establish a structured sales process for this purpose, which is due to be completed in the course of 2019. The aim of this strategy is to improve the profitability and risk profile of the Group. The Executive Directors had analysed the prospects of the Group companies in depth on the basis of the 2021 Group Strategy. As a result of this move, ELWEMA, the companies in the IWM Automation Group and MAX Automation (Shanghai), being an important Chinese base for automotive customers, all have good potential which cannot be sufficiently exploited under the MAX umbrella. The companies up for sale are shown separately in the balance sheet and in the statement of comprehensive income as well as in other components of the Consolidated Financial Statement as business segments held for sale.

In line with its medium-term objectives, MAX Automation SE monitors important synergies between the Group companies which serve to increase efficiency within the Group. These include, first and foremost, uniform standards for risk management and controlling, the bundling of operations in purchasing and financing, a coordinated approach to international focus, know-how and technology transfer, best-practice approaches and cooperation in the development of new solutions in individual projects. In the year under review, the process for reinforcing the binding reporting and controlling instruments for all the Group companies was started.

The conversion of the former MAX Automation AG to a European Company (SE), as approved by the Annual General Meeting in a resolution passed on 30 June 2017, was entered in the commercial register on 8 February 2018 whereupon it became legally effective. Until the conversion, the Company was led by the Management Board in accordance with the regulations set out in the German Stock Corporation Act (Aktiengesetz - AktG). The Supervisory Board oversaw the Management Board and advised it in its management duties. Since the conversion, MAX Automation SE has had a monistic management structure in which the responsibility for the management of the SE is vested in a single management body, the Board of Directors. The operational side of the business is managed by the Executive Directors who provide the Board of Directors with the information required to govern corporate practices and to make decisions. The Executive Directors keep in close contact with the Group companies and receive regular financial statements and progress reports from them.

The MAX Automation SE share has been listed on the Frankfurt Stock Exchange since 1994. The share has been listed in the Deutsche Börse AG Prime Standard segment since April 2015.

The net assets, financial position and results of operations of MAX Automation SE as the parent company of the Group are essentially determined by the business development of the Group companies in the segments and by the corresponding profit transfers and distributions.

In the year under review, 2018, the operating companies in the Group were assigned to the two segments of Industrial Automation and Environmental Technology.

The following companies and their respective subsidiaries were in the Industrial Automation segment during this period:

- NSM Magnettechnik-Gruppe GmbH
- ELWEMA Automotive GmbH
- IWM Automation Group
- MAX Automation (Asia Pacific) Co., Ltd. Group
- bdtronic Group

- MA micro automation Group
- IWM Automation Bodensee GmbH (hereinafter referred to collectively as IWM Automation Group)
- iNDAT Robotics GmbH
- Mess- und Regeltechnik Jücker GmbH
- AIM Micro Systems GmbH
- MAX Automation North America Inc.

MAX Automation SE completed the sale of all shares in NSM Packtec GmbH, a subsidiary of the Group company NSM Magnettechnik GmbH, with effect from 9 March 2018. The divestment served to maintain the focus of the Group portfolio on the core businesses in the Industrial Automation segment.

In the year under review, the Environmental Technology segment still included Vecoplan AG, Bad Marienberg, with Vecoplan LLC (USA) as its major subsidiary.

Key performance indicators and strategic positioning

Financial performance indicators

MAX Automation SE uses financial performance indicators to manage and evaluate the business operations with a view to safeguarding and increasing long-term profitability.

The financial performance indicators include the following:

- order intake and orders on hand
- profitability ratios
- capital and liquidity ratios
- personnel figures (especially staffing levels)
- syndicated loan agreement covenants

The covenant agreements on the syndicated loan agreement include the equity ratio, the debt ratio and the interest coverage ratio of the MAX Group. They are managed by defining and reviewing target ranges.

Change in financial performance indicators

In 2018, the MAX Group recorded the following changes to key financial indicators, relating to the business operations to be continued, which serve as financial performance indicators.

	2018	2017	Change
	in m euro	in m euro	in %
Order intake	325.4	248.9	30.8
Orders on hand[1]	173.6	113.7	52.7
Working capital	27.8	107.8	-74.2
Revenue	277.4	250.8	10.6
EBITDA	24.0	26.1	-7.7
EBIT before PPA	18.8	21.0	-10.6
EBIT after PPA	13.6	19.8	-31.7
Return on sales (% of total output before PPA)	6.8%	8.4%	+0.8 (% points)
Equity ratio (in %)	25.1%	42.6%	+6.7 (% points)
Headcount (number of staff)	1,426	1,327	7.5
– of which trainees	109	108	0.9
Weighted average number of employees	1,321	1,263	4.6
– of which trainees	98	91	8

[1] As at 31 December

Non-financial performance indicators are not used for the internal management of the Group. The primary management of the Group is based on the key figures for sales, EBIT and working capital. The Group will be managed on the basis of the key ratios for sales, EBITDA and working capital as from the financial year of 2019. From the perspective of the Executive Directors, the EBITDA is an indicator which is better at reflecting the business operations.

Strategic positioning

MAX Automation SE has a long-term business model. The model is based on the specific strengths of the Group companies in the Industrial Automation and Environmental Technology segments as well as on the Group-wide strategic guidelines issued by MAX Automation SE as the lead company. The strategic positioning of the Group is essentially determined by the following points:

- **Generation of added value:** The Group companies in the segments have many years of experience and extensive expertise. This enables them to combine automation components and a broad range of system, process and software know-how to develop sophisticated technology and complex solutions geared to individual requirements, including supplementary services. Working closely with their customers, the Group companies pursue the goal of continuously optimising their production processes through innovations in the interests of greater cost and time efficiency and higher product quality. The MAX companies thereby generate significant added value for their customers and in some cases have unique selling points.

- **Expertise for challenging projects:** The subsidiaries of MAX Automation have the ability to combine different services in an integrated project management package. This applies above all to the use of high-tech solutions, combined with special process know-how and end-to-end services. Such holistic project management is the essential starting point, not only for the development, production and maintenance of individual components but also for the acquisition and execution of challenging projects in international markets.

- **Corporate culture conducive to innovation:** The markets in which MAX Automation and its subsidiaries operate are characterised by intense competition and ongoing technological progress. The drivers here are digitisation in industrial production and the associated networking of machines and systems, as well as rapidly growing industrial sectors, such as micro-automation and robotics. The development of software solutions is becoming increasingly significant in this context for various purposes, such as the control or maintenance of plants. MAX Automation attaches great importance to the continuous further development of its technologies and to the development of innovative solutions in order to consolidate and build on the market position of the individual Group companies. Last but not least, this requires active recruitment of talented staff and top executives and therefore appropriate branding of the Group companies as employers.

- **Long-term growth drivers:** The MAX Automation Group benefits from long-term growth drivers in the Industrial Automation and Environmental Technology segments. These include the move towards electrification in the automotive sector or the demographic trend, for example, and therewith the increasing awareness of health among the population. The early identification of these trends and the right business strategy are essential for the long-term success of the Group. The goal pursued by MAX Automation in this regard is not only to participate in the corresponding technological developments but also to help shape them by developing innovative solutions in various areas, such as electric mobility, augmented automation or micro-automation for medical technology.

- **Expansion abroad:** The aim of the companies in the MAX Automation Group is to continuously expand their foreign business. International expansion is key to the further growth of the Group as markets continue to grow dynamically in the emerging economies of Asia and South America, as demand from customers for comprehensive support across national and continental borders increases, and as the need for investment in environmental technologies rises. An international network of sales and service branches, some of which are used jointly by the Group companies, and selected production sites abroad are the basis on which the MAX Automation Group will serve local customer requirements and generate synergies.

Research and development

The MAX Automation Group serves a wide range of customers from various industries, including enterprises with high international profiles. They require automation solutions tailored to their individual needs based on the latest technologies and processes. The market environment is characterised by rapid technological change, intense competition, and increasing political regulation, especially in the Environmental Technology segment.

Against this background, MAX Automation regards research and development (R&D) as an essential prerequisite for future success in its individual markets. The development activities of the Group are decentralised. As a lead company with a focus on strategy, MAX Automation SE does not conduct its own R&D. Some of the subsidiaries have in-house capacity to this end in certain forms, such as specialist departments or technology centres. Most of their development work is carried out in the context of specific customer projects and is geared to the market situation and the needs of the customers. This also includes offering to do individual feasibility studies in advance.

The subsidiaries are continuously expanding their technological expertise in order to tap into new automation markets with good prospects. It stands to reason that they have a comparatively young product portfolio which is characterised by innovations.

Information on the development costs can be found in the Notes under other information on the Consolidated Financial Statement in the section on research and development.

GROUP ECONOMIC AND BUSINESS REPORT

General economic and business conditions

Macroeconomic environment

The global economy developed well in 2018 but lost momentum in the course of the year. The International Monetary Fund (IMF) cited increasing political uncertainty as the main reason, picking out the difficult Brexit negotiations or the trade conflict between the USA and China as examples. Other negative influencing factors were higher trade barriers worldwide and increasingly difficult economic conditions for emerging markets and developing countries due to tighter financing terms or higher oil prices.

The IMF forecast global economic growth of 3.7 % for 2018, the year under review, which is on a par with the previous year. According to the IMF estimates, the Chinese economy grew by 6.6 % as compared with 6.9 % in 2017. Economic growth in the USA was at 2.9 %, up from 2.2 % in the previous year. Economic activity in the Eurozone was expected to increase by 1.8 % after 2.4 % in the previous year.

The economy in Germany also slowed down in 2018. According to the Federal Statistical Office (Destatis), gross domestic product (GDP) rose by 1.5 %, compared with 2.2 % in the previous year. Therefore the German economy grew overall for the ninth year in succession. The continued positive development was driven most notably by private consumer spending as well as government spending. Exports were also up 2.4 % (adjusted for price changes) although growth was not as high as in 2017 (adjusted for price changes +4.6 %).

Sources:

- International Monetary Fund (IMF), World Economic Outlook, October 2018 and January 2019
- Federal Statistical Office (Destatis), press release, 15 January 2019

Development of relevant industries

The German Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau - VDMA) was anticipating a record year for the business performance of its member companies in 2018. The Association expected industry sales to be up by 6.2 % on the previous year, for example, at around 240 billion euro. The VDMA cited export business as the main reason for this, making particular reference to an increase in exports to the USA and China. The tensions in trade between these two countries, however, coupled with a slowdown in the Chinese economy, had a diluting effect over the course of the year.

The VDMA Robotics and Automation Association identified numerous growth drivers for the industry for 2018 and beyond. These most notably included the worldwide trend towards automation and digitisation of production in various sectors, such as the automotive and electronics industries. Numerous car manufacturers invested in new production facilities for hybrid and electric drives, for example, pushing up demand for robotics and automation solutions. For 2018, therefore, the Association expected a 5.0 % increase in industry sales on the previous year, with revenue rising to EUR 15.1 billion.

According to the German Association of the Automotive Industry (Verband der Automobilindustrie - VDA), the global automotive markets recorded a generally heterogeneous progression in 2018. Despite the continuing discussion about the future of diesel engines in the year under review, the European market remained at the same level as the previous year with 15.6 million new vehicles registered. The US market grew by 0.5 % to 17.2 million new registrations. By contrast, the Chinese market saw a drop of 3.8 % to 23.3 million new registrations.

The German medical technology sector took a positive course in the year under review. The industry association Spectaris assumed that sales in the industry would increase by 4 % to 5 % to around 31 billion euro, adding that momentum would come from foreign business in particular and citing digitisation as a key growth driver, ranging from networked hospitals to diagnostic implants.

The VDMA Waste Treatment and Recycling Technology Association (VDMA-Fachverband Abfall- und Recyclingtechnik) expected its member companies to achieve sales growth of at least 3 % in 2018, following industry sales forecasts of 2.7 billion euro for the previous year. It cited the great international interest in environmental technologies resulting from the growing world population, increasing urbanisation, soaring industrialisation and rising mobility as reasons for the growth. The amendment of the German Commercial Waste Ordinance (Gewerbeabfallverordnung - GewAbfV) was among the factors which generated significant growth in the domestic business.

Sources:

- Verband Deutscher Maschinen- und Anlagenbau (VDMA), press releases, 11 December 2018
- Verband Deutscher Maschinen- und Anlagenbau (VDMA), Fachverband Robotik und Automation, press release, 5 June 2018
- Verband der Automobilindustrie (VDA), press release, 16 January 2019
- Spectaris, Fachverband Medizintechnik, press release, 5 November 2018
- Verband Deutscher Maschinen- und Anlagenbau (VDMA), Fachverband Abfall- und Recyclingtechnik, press release, 24 April 2018

Group business development

MAX Automation reported successful progress overall in the business operations continued in 2018. Order intake was buoyant, with wide-ranging dynamic growth across all business areas of the Group. Order backlog at the end of the reporting year were up by more than half on the figure at the end of the previous year. Revenue also rose significantly in 2018. MAX Automation made investments in the year under review for the restructuring of the risk management and the internal control and reporting systems of the Group which are absorbed in the result. The optimisation of reporting and controlling instruments will continue to be the focus of activities in 2019.

In their forecast of 25 September 2018 for the continuing business operations for the full year of 2018, the Executive Directors assumed sales of between 270 and 280 million euro and an EBIT before PPA of 16 to 18 million euro. According to the forecast, total consolidated earnings after taxes were expected to be heavily impacted by operational and extraordinary losses of the IWM Group and by one-off expenses for measures to improve its profitability.

MAX Automation recorded a 30.8 % improvement in incoming orders in the operations continued in the year under review, rising to 325.4 million euro as compared with 248.9 million euro in the previous year. The orders on hand as at 31 December 2018 increased to 173.6 million euro after amounting to 113.7 million euro in the previous year (up by 52.7 %). The book-to-bill ratio was 1.17 (previous year: 0.99).

At 277.4 million euro, revenues from the operations continued in the year under review were in the upper target range forecast (previous year: 250.8 million euro; +10.6 %). The consolidated earnings before interest and taxes (EBIT) and before depreciation and amortisation from purchase price allocations (PPA) were slightly higher than forecast at 18.8 million euro (2017: 21.0 million euro; -10.6 %). The EBIT margin (before PPA) – based on total output – fell from 8.3 % to 6.8 %. Net interest result improved slightly to -2.7 million euro, up on -2.8 million euro in the previous year (-3.3 %).

MAX Automation recorded earnings from continuing operations of 11.5 million euro in 2018, compared with 13.6 million euro in the previous year (-15.5 %).

The result from discontinued operations amounted to -47.1 million euro (previous year: 0.5 million euro), largely impacted by operating and extraordinary losses at the companies in the IWM Group.

The MAX Automation Group closed the year under review with an overall result of -35.7 million euro (previous year: 14.1 million euro).

Group equity was down by -34.1 % to 91.6 million euro at the end of 2018 (end of previous year: 139.0 million euro). The equity ratio was 25.1 % (previous year: 42.6 %).

The working capital of the continuing operations improved significantly as at 31 December 2018 to 27.8 million euro compared with 41.5 million euro as at 31 December 2017, partly as a result of an optimised approach to working capital management at the operating subsidiaries.

Net indebtedness as at 31 December 2018 improved to 46.0 million euro from 47.7 million euro in the previous year.

Taking into account the extraordinary pressures at the companies in the IWM Group and the situation in the Group in terms of the expected negative results, the Board of Directors of MAX Automation intends to abandon the dividend policy adopted hitherto. It will propose to the Annual General Meeting on 17 May 2019 that the dividend for the financial year of 2018 be suspended.

Special events in the financial year

Andreas Krause appointed new CFO at MAX Automation SE

MAX Automation announced on 2 February 2018 that Mr. Andreas Krause would be appointed CFO of the Company with effect from 1 April 2018. His predecessor Fabian Spilker resigned as Managing Director and Member of the Board of Directors with effect from the end of the Annual General Meeting on 18 May 2018.

Divestiture of NSM Packtec

MAX Automation announced on 14 March 2018 that it had completed the sale of NSM Packtec GmbH, a subsidiary of the Group company NSM Magnettechnik GmbH (closing transaction). The divestment allowed MAX Automation to maintain its focus on its core business in the Industrial Automation division in line with its medium-term growth strategy.

MAX Automation adjusts earnings forecast for the financial year of 2018

MAX Automation announced on 28 June 2018 that it had adjusted its earnings forecasts for the financial year of 2018. This was due to liabilities from ongoing projects of the subsidiaries of the IWM Automation Group for several automotive customers. An economic re-evaluation of the projects not proceeding according to plan was then carried out. In addition, MAX Automation immediately initiated a number of structural measures, mainly to improve the project management practices at the IWM Automation Group, and filled key positions at the subsidiaries.

Resolution on the divestment of subsidiaries

On 25 September 2018, the Board of Directors of MAX Automation SE decided that the Group would no longer pursue the construction of special-purpose machines/assembly lines for automotive customers. A structured sales process was therefore introduced for the subsidiaries of the IWM Automation Group (IWM Automation GmbH and IWM Automation Bodensee GmbH), for ELWEMA Automotive GmbH and, associated with this, for the 51 % holding MAX Automation (Shanghai) Co., Ltd. An in-depth analysis of the requirements and prospects of all the Group companies yielded the conclusion that the construction of special-purpose machines/assembly lines for automotive customers no longer fits in with the profitability and risk profile of the high-tech mechanical engineering group in the background context of changing customer requirements. The sale is expected to be completed in the course of 2019. The companies to be divested have been reported as discontinued operations since 30 September 2018 in accordance with IFRS accounting rules.

Daniel Fink to leave MAX Automation SE in the spring of 2019

MAX Automation announced on 29 October 2018 that the Managing Director (CEO) Daniel Fink (57) will not be renewing his contract when it expires on 31 March 2019, at his own request. He will at the same time step down from the Board of Directors of the Company.

Accounting and scope of consolidation of the Group

MAX Automation SE prepared the Consolidated Financial Statement for the financial year of 2018 in accordance with the International Financial Reporting Standards (IFRS). The Company is therefore exempt from preparing a Consolidated Financial Statement in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB). The figures for the previous year were also calculated in accordance with the IFRS.

On 25 September 2018, the Board of Directors of MAX Automation SE decided that the Group would withdraw from the construction of special-purpose machines and /assembly lines for automotive customers in the Mobility Automation division. The assets and liabilities of the Group companies to be divested are reported in total as discontinued operations for 2018 in accordance with IFRS 5. This means that the contributions to revenue and operating income of the IWM Automation Group, ELWEMA Automotive GmbH and of the 51 % holding MAX Automation (Shanghai) Co., Ltd. are no longer included in the consolidated income statement. The earnings after tax of the companies to be sold are shown in a separate item after the earnings of the operations to be continued. The net profit of the Group as a whole for the period is calculated from the sum of the two results. The comparative figures for the same period in the previous year have been adjusted accordingly. The consolidated balance sheet for the year ending 31 December 2017 includes the assets and liabilities of all the companies; the balance sheet for the year ending 31 December 2018 shows the discontinued operations separately in a new item as "Assets held for sale" and as "Liabilities in connection with assets held for sale".

Detailed information on the scope of consolidation is provided in the Notes on the Consolidated Accounts.

Order book position

MAX Automation recorded an increase in incoming orders in 2018 to 325.4 million euro in its continued business operations. This was up 76.5 million euro or 30.8 % on the figure for the previous year (2017: 248.9 million euro).

The Industrial Automation segment increased its incoming orders to 209.4 million euro as compared with 155.9 million euro in the previous year (34.3 %). The Life Science Automation and Process Technologies business units were the main growth drivers. The segment again benefited from the impetus for growth driven by the movement towards electric mobility and driver assistance systems in the automotive sector, for example, or by the demographic trend and the generally increasing health awareness of the population in medical technology.

The Environmental Technology segment with the Vecoplan Group saw an increase in incoming orders to 116.0 million euro following on from 92.9 million euro (24.8 %). Vecoplan benefited from cyclical growth in the export business in this regard.

Order backlog in the continued business units as at 31 December 2018 rose by 59.9 million euro to 173.6 million euro (previous year: 113.7 million euro).

In Industrial Automation, orders on hand as at 31 December 2018 increased by 65.7 % to 139.1 million euro (31 December 2017: 83.9 million euro). In Environmental Technology, orders on hand as at 31 December 2018 increased to 34.6 million euro (31 December 2017: 29.7 million euro; 16.2 %).

Revenue and result of operations

Revenue in the continued business units at MAX Automation increased by 26.6 million euro or 10.6 % in 2018 to 277.4 million euro (previous year: 250.8 million euro). Growth was driven by both the Industrial Automation and Environmental Technology segments. Foreign sales accounted for 62.2 % of consolidated sales in the year under review, compared with 64.0 % in the previous year.

The total operating performance of the continuing operations increased by 25.2 million euro or 10.0 % to 276.8 million euro (previous year: 251.6 million euro). This included changes in inventories of -1.8 million euro (previous year: -0.1 million euro) and other internally produced and capitalised assets of 1.3 million euro (previous year: 0.8 million euro).

Other operating revenue rose by more than a quarter to 8.2 million euro (previous year: 6.5 million euro; +27.2 %). This figure includes income of 2.9 million euro from the derecognition of NSM Packtec GmbH. Income from currency differences decreased from 1.1 million euro in the previous year to 0.4 million euro (see explanatory notes below on other operating expenses).

The cost of materials increased from 110.3 million euro to 128.4 million euro (16.4 %). The cost of materials ratio – in relation to total output – increased slightly to 46.4 % after 43.9 % in the previous year.

Personnel expenses rose by 7.5 % from 83.7 million euro to 90.0 million euro. The ratio of personnel expenses – in relation to total output – improved from 33.3 % to 32.5 %.

Depreciation and amortisation amounted to 10.5 million euro, exceeding the figure for the previous year of 6.2 million euro. This includes depreciation and amortisation from purchase price allocations (PPA) of 5.2 million euro as compared with 1.2 million euro in the previous year. The increase resulted from the goodwill amortisation in respect of iNDAT Robotics GmbH in the amount of 4.2 million euro.

Other operating expenses increased from 38.0 million euro to 42.6 million euro (+12.2 %) as a result of the increase in legal costs and consultancy fees in the course of the sale process and the investment in the restructuring of risk management and the internal control and monitoring system of the Group. Expenses from currency differences were down to -0.2 million from -1.8 million euro in the previous year. The balance of currency effects amounted to 0.3 million euro after -0.7 million euro in the previous year, resulting in an expense ratio in relation to the total operating performance of 15.4 % (previous year: 15.1 %).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) from the continuing operations amounted to 24.0 million euro (previous year: 26.1 million euro; -2.0 million euro or -7.7 %).

MAX Automation reports consolidated operating earnings before interest and taxes (EBIT) and before depreciation and amortisation from purchase price allocations (PPA) of 18.8 million euro (2017: 21.0 million euro; -10.6 %) for the continuing operations for the financial year of 2018. The EBIT margin in relation to total operating performance fell from 8.4 % to 6.8 %. The EBIT per share before PPA amortisation dropped from 0.71 euro to 0.64 euro.

The net interest loss decreased slightly from -2.8 million euro to -2.7 million euro (-3.3 %).

Earnings before taxes (EBT) from the continuing operations in the year under review were down to 9.6 million euro from 16.9 million euro in the previous year (-42.9 %).

Receipts from taxes on income and earnings amounted to 1.9 million euro, compared with expenses of 3.2 million euro in the previous year. Income taxes also reflect losses from the discontinued operations as a result of existing taxable entities.

MAX Automation recorded earnings from continuing operations of 11.5 million euro in the year under review, compared with 13.6 million euro in the previous year (-15.5 %).

The result from the discontinued operations amounted to -47.1 million euro in 2018 (previous year: 0.5 million euro). This is primarily attributable to the operating and extraordinary losses at the companies in the IWM Group and to measures put in place to improve profitability. There were also write-downs in the course of the re-evaluation process in the discontinued operations in accordance with IFRS 5.

The MAX Automation Group closed 2018 with an overall result of -35.6 million euro (2017: 14.1 million euro). This results in earnings per share of -1.05 euro, compared with 0.47 euro in the previous year.

Asset position

MAX Automation reported total assets of 364.3 million euro as at 31 December 2018. This was 41.0 million euro or 12.7 % higher than the level on the same date in the previous year (31 December 2017: 323.3 million euro).

Non-current assets decreased by 20.8 % to 87.9 million euro (31 December 2017: 111.1 million euro), primarily due to the reclassification of the discontinued operations. The intangible assets decreased by 10.0 million euro from 13.7 million euro to 3.6 million euro as at 31 December 2018. This includes 6.5 million euro from the reclassification to “Assets held for sale”. Goodwill decreased by 4.2 million euro, due in part to the amortisation of the goodwill of iNDAT Robotics GmbH. The property, plant and equipment fell from 31.5 million euro to 25.1 million euro. Deferred tax assets rose by 37.2 % to 6.5 million euro (31 December 2017: 4.7 million euro).

Current assets increased to 276.4 million euro (31 December 2017: 212.3 million euro). Inventories grew by 16.3 % to 49.0 million euro (31 December 2017: 42.1 million euro). Trade receivables decreased sharply by 63.9 % to 49.9 million euro (31 December 2017: 138.3 million euro) due to the reclassification of the receivables from the discontinued operations as “Assets held for sale”. Tax receivables increased from 0.4 million euro to 3.5 million euro. At 31.8 million euro, cash and cash equivalents were up 21.5 % on the level on the reporting date in the previous year (31 December 2016: 26.2 million euro).

An amount of 134.7 million euro is recorded under “Assets held for sale”. This includes the current and non-current assets of the discontinued operations in Mobility Automation.

The working capital fell sharply from 107.8 million euro as at 31 December 2017 to 27.8 million euro as at 31 December 2018 as a result of optimised working capital management at the operating subsidiaries and the reclassification of the discontinued operations. A reduction of 13.7 million euro was achieved in the previous year in relation to the continuing operations

Financial position

The equity capital of MAX Automation amounted to 91.6 million euro as at 31 December 2018 (31 December 2017: 139.0 million euro; -34.1 %). The equity ratio was 25.1 % (31 December 2017: 43.0 %). Revenue reserves fell by -6.3 % to 29.2 million euro (31 December 2017: 31.2 million euro). This includes the transfer of 5.0 million euro to retained earnings under the resolution passed by the Annual General Meeting on 18 May 2018 as well as adjustments of -4.0 million euro in accordance with the IFRS 15 accounting changes and the put options of -2.9 million euro of the minority interests reported in the balance sheet of MAX Automation (Asia Pacific) Co., Ltd., Hong Kong. Retained earnings fell from 58.8 million euro to 18.6 million euro.

Non-current liabilities added up to 86.9 million euro in total (31 December 2017: 77.3 million euro; +12.3 %). Non-current liabilities to banks amounted to 76.8 million euro (31 December 2017: 64.8 million euro; +18.4 %). Other non-current financial liabilities decreased from 1.8 million euro to 0.1 million euro, primarily due to the reclassification of the discontinued operations. Deferred tax liabilities fell to 6.8 million euro, down from 8.2 million euro as at 31 December 2017.

Current liabilities increased to 185.9 million euro (31 December 2017: 107.0 million euro). Trade payables decreased from 72.6 million euro to 71.1 million euro (-2.1 %). This includes prepayments on orders received in the Life Science Automation division.

Current liabilities to banks decreased to 1.1 million euro (31 December 2017: 8.4 million euro). Other current financial liabilities increased by 25.8 % to 16.2 million euro (31 December 2017: 12.9 million euro). This includes obligations from purchase agreements of around 4.0 million euro which are offset by a receivable of the same amount. Provisions and liabilities from income taxes decreased to 3.9 million euro (31 December 2017: 4.7 million euro).

Liabilities from the discontinued operations held for sale amounted to 81.0 million euro. Gross debt (current and non-current liabilities to banks) amounted to 77.8 million euro as at 31 December 2018 (31 December 2017: 73.3 million euro; +6.3 %).

Net indebtedness stood at 46.1 million euro (31 December 2017: 47.1 million euro).

Liquidity

The MAX Group reported a cash inflow from operating activities of 20.6 million euro for 2018, following an inflow of 18.7 million euro in the previous year. The operating cash flow of the Group as a whole includes non-cash expenses of 11.1 million euro, mainly resulting from the valuation of inventories. The increase in trade payables includes prepayments received of around 48.0 million euro.

Investment activity resulted in a cash outflow of -13.5 million euro (previous year: -6.5 million euro).

Of this amount, -4.5 million euro was attributable to investments in property, plant and equipment and -10.8 million euro to the acquisition of MAX Automation (Shanghai) Co., Ltd. This was offset by an inflow of 2.9 million euro from the sale of NSM Packtec GmbH.

The cash inflow from financing activities amounted to 0.1 million euro (cash outflow in previous year: -8.4 million euro). This includes the dividend payment of 4.4 million euro (previous year: 4.0 million euro).

Total cash flows resulted in cash and cash equivalents of 33.5 million euro at the end of the reporting period of 2018, compared with 26.2 million euro at the beginning of the reporting period.

The continuing operations accounted for cash flow from operating activities of 10.6 million euro (previous year: 11.9 million euro), cash flow from investment activity of -1.2 million euro (previous year: -2.0 million euro) and cash flow from financing activities of -1.9 million euro (previous year: -6.5 million euro).

The discontinued operations accounted for cash flow from operating activities of 10.0 million euro (previous year: 6.8 million euro), cash flow from investment activity of -12.3 million euro (previous year: -4.5 million euro) and cash flow from financing activities of 2.0 million euro (previous year: -2.0 million euro).

Segment reporting

MAX Automation SE and its subsidiaries meet the demand for technologically complex and innovative components and solutions for efficient, flexible and networked automation systems in industrial production. The individual companies focus on solutions for specific industries.

In the Industrial Automation segment, MAX Automation and its subsidiaries develop machines and systems along with associated software solutions for high-precision production processes. The target industries are medical technology, electronics and the automotive sector. The companies provide reliable and professional services for their customers, enabling them to adapt their products to the ever-changing requirements of the markets and to keep optimising their production processes. The range of services offered by the subsidiaries covers the development and production of integrated assembly systems, including the integration of robotics solutions, the development of control software and the provision of maintenance services.

In the Environmental Technology segment, the Vecoplan Group and its subsidiaries develop machines and systems for the sustainable use of raw materials. Vecoplan provides various services for the efficient recycling of resources and waste materials with a view to returning them to the cycle of recovered substances or using them as substitute fuel for energy recovery. Products and services are also offered to ensure compliance with the emissions standards which have been tightened up all over the world.

Industrial Automation segment

The development in the Industrial Automation segment was very positive in 2018, after adjustment for the revenue and operating income from the discontinued operations. Incoming orders in the continuing operations were up by 34.3 % on the previous year, while the orders on hand at the end of 2018 increased to 139.1 million euro.

The strong growth was most notable in the Life Science Automation and Process Technologies business units. The MAX Automation companies once again benefited from major growth drivers in their respective markets, such as the trends in the automotive sector towards driver assistance systems and electric drives or the policies designed to reduce CO_2 emissions in vehicles and, in the medical technology sector, the growing health awareness of the population and the demographic trend.

In the year under review, the Group companies continued to focus on the further optimisation of internal processes and the exploitation of synergies to increase efficiency. This most notably involved introducing uniform standards for risk management and controlling or cooperation on individual projects with a view to sharing know-how and transferring technology. The binding reporting and controlling instruments which are mandatory for all companies were greatly reinforced.

Key ratios in the Industrial Automation segment

There was a pleasing increase of 209.4 million euro in incoming orders in 2018 in the continuing operations in the Industrial Automation segment (previous year: 155.9 million euro; 34.3 %).

Order backlog in the continuing operations as at 31 December 2018 increased to 139.1 million euro (31 December 2017: 83.9 million euro; 65.7 %).

Revenue in the segment in 2018 rose by 5.6 million euro or 3.4 % to 166.6 million euro (previous year: 161.0 million euro). Foreign sales accounted for 50.2 % of revenue in the segment as compared to 54.7 % in the previous year.

At 20.1 million euro, the EBITDA was slightly below the level of the previous year of 21.6 million euro.

The operating income in the segment before interest and taxes (EBIT) and before PPA amortisation amounted to 16.6 million euro (2017: 18.3 million euro; -9.3 %). The EBIT margin – in relation to total output – amounted to 10.0 % as compared to 11.5 % in the previous year.

Segment earnings after PPA amortisation fell to 11.4 million euro (2017: 17.5 million euro; -34.6 %). The Industrial Automation segment posted earnings from continuing operations of 8.8 million euro. This was 39.4 % below the previous year's figure of 14.5 million euro.

The result from the discontinued operations amounted to -44.8 million euro (previous year: +0.6 million euro), ensuing from the operating and extraordinary losses at the companies in the IWM Group.

The average number of employees in the Industrial Automation division in 2018 was 848 (excluding trainees). In the previous year, the segment had an average of 790 employees.

	2018	2017	Change
	in m euro	in m euro	in %
Order intake	209.4	155.9	34.3
Orders on hand[1]	139.1	83.9	65.7
Segment revenue	166.6	161.0	3.4
– of which foreign sales	84.4	88.9	-5.1
EBITDA	20.1	21.6	-6.8
Segment EBIT before PPA	16.6	18.3	-9.3
Segment EBIT after PPA	11.4	17.5	-34.6
Employees (number)[2]	848	790	7.4

[1] As at 31 December

[2] Annual average excluding trainees

Environmental Technology segment

The Environmental Technology segment, which comprises the Vecoplan Group and its subsidiaries, reported a successful course of business in 2018, achieving a significant increase in all the key ratios.

In the year under review, the segment continued to concentrate on the development and manufacture of high-quality components and plants for the sustainable and efficient recycling and treatment of residual materials for the wood, recycling and waste management industries.

Key ratios in the Environmental Technology segment

In 2018, the Environmental Technology segment recorded an increase in order intake on the previous year to 116.0 million euro (2017: 92.9 million euro; 24.8 %). The orders on hand as at 31 December 2018 grew to 34.6 million euro (31 December 2017: 29.7 million euro).

The revenue in the segment rose sharply in the year under review to 110.6 million euro, up from 89.4 million euro in the previous year (+23.7 %). Foreign sales accounted for a share of 79.8 % as compared with 80.0 % in 2017.

The EBITDA grew from 8.2 million euro in the previous year to 10.0 million euro in the year under review (+23.3 %).

The segment increased its operating earnings before interest and taxes (EBIT) and before PPA amortisation from 6.5 million euro to 8.5 million euro. The EBIT margin – in relation to total output – improved to 7.8 % (previous year: 7.0 %).

The MAX Automation Group employed an average of 375 people (excluding trainees) in the Environmental Technology segment in 2018.

	2018	2017	Change
	in m euro	in m euro	in %
Order intake	116.0	92.9	24.8
Orders on hand[1]	34.6	29.7	16.2
Segment revenue	110.6	89.4	23.7
– of which foreign sales	88.3	71.6	23.4
EBITDA	10.0	8.2	23.3
Segment EBIT before PPA	8.5	6.5	30.2
Segment EBIT after PPA	8.5	6.5	30.7
Employees (number)[2]	375	374	0.3

[1] As at 31 December
[2] Annual average excluding trainees

INVESTMENTS

The MAX Group invested 7.0 million euro in non-current assets, excluding the discontinued operations, in the financial year of 2018, compared with 7.7 million euro in the previous year. Investments were essentially made in relation to IT, technical equipment, machinery, operating facilities and office equipment.

Detailed information on the investments in the segments can be found in the segment reporting attachment.

PERSONNEL REPORT

The MAX Automation Group and its companies acted in accordance with the proviso that the staffing level should be duly adjusted in 2018 – as in previous years – in line with operational developments.

As at 31 December 2018, the Group had a total of 2,136 employees, including trainees (31 December 2017: 1,796). Of this total, 1,426 employees (previous year: 1,327) were working in the divisions where operations were to be continued.

The average number of employees, excluding trainees, rose by 197 or 12.5 % from 1,576 to 1,773. Of this number, 1,223 were working in the divisions where operations were to be continued (previous year: 1,172).

MAX Automation considers its employees in the Group companies and in the holding company as essential resources for business success. It therefore seeks to create attractive opportunities for professional and personal development in all the relevant respects. The personnel policy adopted across the Group entails high standards of training and skills enhancement input with a view to retaining highly professional and committed staff in the long term. MAX Automation also recruited more experienced engineers and software developers in the year under review, thereby strengthening its capacities in these areas.

MAX AUTOMATION SE

The Annual Financial Statement of MAX Automation SE was prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB). The regulations set out in the German Stock Corporation Act (Aktiengesetz - AktG) were also followed. The Annual Financial Statement was prepared in accordance with the regulations for large corporations.

Results of operations and application of earnings

The earnings position of MAX Automation SE is dependent to a large extent on movements in the results of the subsidiaries. By resolution of the Annual General Meeting on 18 May 2018, control agreements and profit transfer agreements were concluded with three subsidiaries of the Industrial Automation segment (IWM Automation GmbH, bdtronic GmbH and NSM Magnettechnik GmbH). The amounts distributed by the other companies to the parent company are dependent on the results and take due account of the future capital expenditure requirements of the subsidiaries.

The development of the earnings situation of the subsidiaries is presented in the segment reporting section. The following figures are based on the result of MAX Automation SE under commercial law.

MAX Automation SE reports income from profit transfers of 14.7 million euro (previous year: 14.6 million euro), expenses from profit transfers of 12.6 million euro (previous year: 2.7 million euro) and investment income of 2.4 million euro (previous year: 3.5 million euro) in the financial year of 2018.

Sales revenues, which mainly include group allocations to affiliated enterprises, amounted to 3.1 million euro (previous year: 2.3 million euro).

Other operating expenses rose from 2.9 million euro to 7.7 million euro due to investments in the restructuring of the risk management and internal control system and in the sale of the companies in the Mobility Automation division initiated in the third quarter of 2018.

Net interest result amounted to 0.1 million euro after 0.4 million euro in the previous year. This mainly includes expenses for the syndicated loan and interest income with affiliated enterprises.

The Company reports earnings before taxes of -1.8 million euro (previous year: 11.7 million euro). Tax income of 1.2 million euro is reported (previous year: tax expense of 3.4 million euro).

The annual result amounts to -0.6 million euro (previous year: 8.2 million euro). Balance sheet profits of 4.4 million euro from the previous year were distributed in the financial year of 2018.

Net assets and financial position

MAX Automation SE reported total assets of 244.1 million euro as at 31 December 2018. This corresponds to an increase of 37.1 million euro on the level on the reporting date in the previous year (207.0 million euro). The increase is due, on the one hand, to the acquisition of MAX Automation (Asia Pacific) Co., Ltd. and the takeover of assigned receivables from the sale of NSM Packtec GmbH and, on the other hand, to the syndicated financing of the subsidiaries.

Receivables and other assets increased from 106.7 million euro to 125.4 million euro. This figure includes 97.5 million euro from receivables due from subsidiaries from the syndicated financing arrangements (previous year: 86.2 million euro). Cash and cash equivalents amounted to 8.3 million euro on the reporting date (previous year: 0.0 million euro).

MAX Automation SE reports equity of 109.3 million euro as at 31 December 2018 (previous year: 114.3 million euro). The equity ratio was 44.8 % (previous year: 55.2 %).

Liabilities to banks as at 31 December 2018 rose from 62.3 million euro to 74.0 million euro. These have a term until 2022. Liabilities to subsidiaries amounted to 38.0 million euro as at 31 December 2018, compared with 22.5 million euro in the previous year, and mainly comprise loans granted/deposits.

The net assets, financial position and results of operations of MAX Automation SE are in order.

NON-FINANCIAL GROUP DECLARATION IN ACCORDANCE WITH SECTION 315B HGB

Corporate responsibility

The MAX Group operates internationally in industry and bears responsibility in Germany, Europe and all over the world. Corporate responsibility and long-term success are inseparable from the viewpoint of MAX Automation SE. In the interests of the stakeholders, MAX Automation SE regards profitable and long-term growth as its way of acting responsibly for future generations.

The commitment of the MAX Automation Group to sustainability extends to three main areas: environment, workforce and compliance.

MAX Automation takes environmental responsbilities

Sustainability as a growth driver

The protection of the environment and climate is one of the main challenges of our time. With natural resources becoming increasingly scarce, the world population growing and consumption rising, the demands on the use of natural resources are constantly increasing. Sustainability has become a growth driver which is developing into an increasingly important factor in purchasing decisions. The MAX Group positioned itself early on in emerging markets with a future based on sustainable environmental trends. These include reducing CO_2 emissions, increasing resource efficiency and supplying products which combine ecological progress and economic success.

Innovative green technology for effective recycling and treatment of waste

In the Environmental Technology segment, the MAX Group develops components and plants for the effective recycling and processing of waste and residual materials, such as systems for opening the "Yellow Bags" which are filled with plastic packaging for recycling. This is more complex than it may seem because the bags must first be opened without damaging the contents. Our design allows the outer bags and any other bags inside to be torn carefully, making it easy to sort the material for the downstream processes. This system works with a "HiTorc" drive with direct power transmission instead of a clutch or gearbox. This reduces the energy consumption to one third of the amount used in previous processes.

Effective shredding and cleaning of plastic waste

The innovative Environmental Technology unit in the MAX Group supplies shredders for all plastic materials. With the aid of the latest shredding technology, a wide variety of plastic input is turned into high-quality, homogeneous output. The shredders can be easily integrated into existing systems and boast impressively low energy consumption and high efficiency levels.

The MAX Group also offers a system which cleans plastic waste entirely without chemicals. The VecoDyn technology consumes significantly less energy than conventional processes and also automatically treats the dirty water in a closed loop.

Efficient impregnation process for electric mobility

The MAX Group has developed an efficient and cost-effective process for the impregnation of stators. The stator is the component in the electric motor which is responsible for generating the power and is therefore of major importance for electric mobility. Each stator must be coated to protect it from external influences like moisture. The process involves drizzling a polyester resin onto the preheated, rotating stator. Conventional methods involve the immersion of the stator in an impregnating bath. The process developed by the MAX Group is faster and cheaper than any other method as it avoids waste and loss through dripping. Nor is there any need for finishing work. It therefore allows the customers of the MAX Group to produce stators quickly and efficiently and promote e-mobility.

MAX Automation insists on responsible business practices

Acting with integrity

MAX Automation is synonymous with responsible action and lawful conduct in every respect. All MAX employees are obliged to adhere to the relevant legislative framework, abide by internal policies and act in accordance with the rules of conduct in the business environment. For the MAX Group this means acting in conformity with the applicable local legal norms at all times. Violations of the law are not tolerated. This approach boosts the confidence of our customers, shareholders and employees and strengthens the trust of the public in our products, services, independence and integrity.

Compliance as a code of conduct

Compliance means much more than just complying with laws and internal regulations. It forms the basis of our decisions and activities. Compliance is integrated into the business processes at MAX Automation. One aspect of this is informing our customers worldwide about our principles. It is our goal to cement a code of responsible behaviour permanently into the mindset and conduct of the entire workforce. Essential requirements are summarised in a Group-wide compliance policy which is binding on all employees in the MAX Group. Questionable practices or violations can either be flagged up anonymously using the "Whistle-Blowing Report" on the MAX website or reported directly to the relevant Compliance Officer.

Fair competition

We are convinced that compliance can contribute to the development of companies and countries, both directly and sustainably, with the prevention of corruption, for example, forming an important cornerstone. The MAX Group is fully and unreservedly committed to fair competition. We compete solely on the basis of the value for money and the quality of our products and services. Compliance with all laws and regulations on the prevention of unfair competition is an integral part of our business policy.

Prohibition of child labour and forced labour

The MAX Group respects the prohibition of child labour according to the standards formulated by the International Labour Organization (ILO).

People must not be employed against their will or forced to work. The MAX Group does not use forced or compulsory labour.

MAX Automation assumes responsibility for its employees

Sustainable and future-oriented personnel work

Motivated, qualified and committed employees are the key to our success. It is our responsibility to make sure that they do a good job and that they enjoy their work and stay with us. The recruitment, development and retention of first-class employees are therefore our top priorities. We want to be perceived as an attractive employer. We provide a pleasant working environment in which our employees are treated fairly. We see equality and equal opportunities as fundamental principles of working together. We encourage a healthy work/life balance and offer flexible working hours.

The fast pace of change in our markets necessitates continuous improvement of our processes and products – a challenge which we meet head-on with training and skills enhancement opportunities for our employees geared to the precise requirements. In this way, we prepare our employees specifically for the new market developments and changes.

Commitment to the promotion of young talent

We regard the training of young people as part of our corporate social responsibility. Many of the MAX companies are prominent training companies in their local areas. This enables us to fill vacancies with junior staff who have trained with us. Students can write their bachelor's and master's theses and do internships in our Company in order to get the best possible introduction to the various jobs and trades. We also offer placements for sandwich degree students at several sites in subjects like mechanical engineering, electrical engineering and business administration.

Staff safety takes priority

High levels of occupational health & safety and plant safety and therefore the protection of the employees have absolute priority at the MAX Group. An attractive and healthy working environment is one of the prerequisites for dedicated employees. We observe occupational health & safety regulations and encourage our staff to adopt a safety-conscious approach to their work. Training and workshops on occupational health & safety are held regularly in our companies. Measures were defined in the course of various TÜV/ISO certification processes at our subsidiaries to ensure the safety of employees in the workplace. Once they have been put in place, these measures will be regularly reviewed and, if necessary, adjusted.

Principles of cooperation

The MAX Group attaches great importance to cooperation, courtesy and fairness in dealing with each other. Respect for the privacy and dignity of others is essential for a good working environment.

A good working atmosphere is indispensable for the success of the MAX Group. Loyalty, mutual support, respect, appreciation, openness and fairness are all fundamental to our work ethic.

Diversity and appreciation

The individuality of the employees in the MAX Group is a key feature of the corporate culture and is conducive to a good working atmosphere. The corporate culture is based on appreciation. Different religious beliefs, sexual orientations or ideological views are treated with respect.

Discrimination is entirely contrary to the core values of the MAX Group. Any form of discrimination, whether in relation to employees or third parties, is therefore prohibited. Discrimination means any form of differentiation, exclusion or preference which restricts equal treatment or access to work and employment and which may be based on skin colour, gender, religion, political beliefs, age, nationality, social background, ethnic origin, family commitments or similar considerations. The MAX Group is also committed to workplaces which are free from all forms of harassment and bullying.

DISCLOSURES IN ACCORDANCE WITH SECTION 315A (1) HGB AND SECTION 289A (1) HGB

(and explanatory report of the Board of Directors pursuant to Section 48 (2) clause 2 SEAG in conjunction with Section 176 (1) clause 1 AktG)

Listed parent companies are obliged under Section 289a (1) and Section 315a (1) of the German Commercial Code (Handelsgesetzbuch - HGB) to provide such information in the Group Management Report on the capital composition, the shareholder rights and their restrictions, the ownership structure and the governing bodies of the Company as would be relevant in the event of any takeover.

The legal representatives of a corporation domiciled in Germany whose voting shares are admitted to an organised market, as defined in Section 2 (7) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz - WpÜG), must provide such information irrespective of whether a takeover bid has been submitted or is anticipated. The information is intended to enable potential bidders to obtain a full picture of the Company and of any obstacles to a takeover.

The Board of Directors is also required, under Section 48 (2) clause 2 SEAG in conjunction with Section 176 (1) clause 1 AktG to provide the Annual General Meeting with an explanatory report. The disclosures pursuant to Section 315a (1) HGB and Section 289a (1) HGB are summarised below with the corresponding explanations pursuant to Section 48 (2) clause 2 SEAG in conjunction with Section 176 (1) clause 1 AktG.

a) Composition of the subscribed share capital

The subscribed share capital (share capital) of MAX Automation SE amounts to 29,459,415 euro and is divided into 29,459,415 no-par shares, each of which carries the same rights, especially the same voting rights. Each share grants a voting right in this respect. The shares are issued in the name of the bearer. Different classes of shares do not exist. Each share has a notional value of 1.00 euro as part of the share capital. The Company does not currently hold any of its own shares. MAX Automation SE is listed on the stock exchange. The MAX Automation SE share changed from the General Standard segment to the Prime Standard segment of Deutsche Börse on 1 April 2015.

b) Voting rights and transfer restrictions

The Board of Directors is not aware of any restrictions relating to the voting rights or the transfer of shares.

c) Shareholdings exceeding 10 % of voting rights

To the knowledge of the Board of Directors, and on the basis of the notifications received by the Company under securities trading law and securities acquisition and takeover law, there is an interest in the share capital of MAX Automation SE which exceeds 10 % of the voting rights. Orpheus Capital II GmbH & Co. KG, headquartered in Hamburg, holds 34.92 % of the voting rights in MAX Automation SE. The voting rights are assigned to Mr. Oliver Jaster through Günther SE based in Bamberg, Günther Holding SE based in Hamburg and Orpheus Capital II Management GmbH based in Hamburg.

Further details on this situation are provided in the overview in the Notes under "Shareholdings subject to notification pursuant to Section 160 (1) subs. 8 AktG".

d) Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

e) Control of voting rights in case of employee participation

The Board of Directors is not aware of any employees with an equity stake in the Company who do not directly exercise their control rights.

f) Appointment and dismissal of Executive Directors and amendments to the Articles of Incorporation

As a company with a monistic governance and control structure, MAX Automation SE takes the disclosure requirement relating to the appointment and dismissal of Members of the Management Board pursuant to Section 48 (2) clause 2 SEAG, in conjunction with Section 176 (2) clause 1 AktG in conjunction with Section 289a (1) subs. 6 HGB and Section 315a (1) subs. 6 HGB, and applies it to the Executive Directors. Art. 43 SE-VO and Section 40 SEAG apply to their appointment. According to Section 11 (1) clause 1 of the Articles of Association, MAX Automation SE has one or more Executive Directors; this applies irrespective of the amount of share capital. According to Section 11 (2) clause 1 of the Articles of Association, the Board of Directors determines the number of Executive Directors. The Executive Directors are appointed and dismissed in accordance with the statutory provisions set out in Section 40 (1) clause 1 and (5) clause 1 SEAG in conjunction with Section 11 (2) and (4) of the Articles of Association. The Board of Directors has sole responsibility for the appointment and dismissal of the Executive Directors, except in cases where a replacement is appointed by the court pursuant to Section 45 SEAG.

According to Section 11 (3) clause 1 of the Articles of Association, the Board of Directors appoints Executive Directors for a maximum term of five years. According to Section 11 (3) clause 2 of the Articles of Association, a repeat appointment is again limited to a maximum of five years. According to Section 11 (2) clause 2 of the Articles of Association, the Board of Directors may appoint a Managing Director as Chairman and a Managing Director as Deputy Chairman of the Executive Directors.

Internal practices are consistent with suggestion 5.1.2 in the German Corporate Governance Code, according to which the maximum permissible appointment period of five years should not be applied as a rule for first-time appointments. According to Section 11 (4) of the Articles of Association, an appointment may only be revoked, by way of derogation from Section 40 (5) SEAG, for good cause as defined in Section 84 (3) AktG or in the event of termination of the employment contract, for which a resolution of the Board of Directors with a simple majority of the votes cast is required in each case.

Pursuant to Art. 59 SE-VO and Section 51 SEAG in conjunction with Section 17 (1) clause 2 of the Articles of Association, the amendment of the Articles of Association of MAX Automation SE requires a majority of two thirds of the votes cast or, if at least half of the share capital is represented, a simple majority of the votes cast, unless dictated otherwise by mandatory statutory provisions. Pursuant to Section 179 (2) clause 2 AktG in conjunction with Section 17 (1) clause 3 of the Articles of Association, a simple majority of the capital represented is also sufficient, unless a greater majority of shares is required by law. If not all of the share capital is represented at the Annual General Meeting, it is conceivable that shareholders with less than 50 % of the voting rights may be able to enforce certain amendments to the Articles of Association with their own votes. Pursuant to Section 22 (6) SEAG in conjunction with Section 179 (1) clause 2 AktG in conjunction with Section 17 (2) of the Articles of Association, the Board of Directors is authorised to make such amendments to the Articles of Association as relate only to the wording. In all other respects, the statutory provisions set out in Art. 57 and 59 SE-VO and Section 51 SEAG apply.

g) Authority of the Board of Directors to issue and buy back shares

The Board of Directors is authorised, under Section 5 (7) of the Articles of Association, 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 Board of Directors has not yet exercised the right pursuant to Section 5 (7) of the Articles of Association (Authorised Capital I).

h) Fundamental agreement of the Company on condition of the change of control

MAX Automation SE has borrowed funds in a syndicated loan arrangement. In the event of a change of control, the lenders are entitled to request early repayment of all drawdowns within 15 days plus interest, commission and all other amounts owed. The condition for a change of control is that one person or a group of persons acting jointly (with the exception of Mr. Oliver Jaster or companies in which he holds a majority interest) directly or indirectly owns 50 % or more of the shares and/or voting rights in MAX Automation SE; reference may be made to the section "Non-current loans" in the Notes to the Consolidated Financial Statement regarding the drawdown of the loan. There are no other fundamental agreements of the Company which are subject to the condition of a change of control following a takeover bid.

i) Compensation agreements in the event of a change of control

As an enterprise with a monistic governance and control structure, MAX Automation SE takes the disclosure requirement pursuant to Section 289a (1) subs. 9 HGB, with regard to the disclosure of compensation agreements of the parent company with the Members of the Management Board in the event of a takeover bid, and applies it to the Executive Directors. The Company has not entered into any compensation agreements with the Executive Directors or employees in the event of a takeover bid.

CORPORATE GOVERNANCE STATEMENT (SECTION 289F HGB AND SECTION 315D HGB)

The Corporate Governance Statement required under Section 289f HGB and Section 351d HGB was issued by the Board of Directors in February 2019 and can be accessed on the Internet under the following link: www.maxautomation.com/de/investor-relations/corporate-governance/. The Company also published a Corporate Governance Report in connection with the Corporate Governance Statement. The Corporate Governance Report is included in the 2018 Annual Report.

DEPENDENCY REPORT

Statement on the report issued by the Executive Directors on relations with affiliated companies pursuant to Section 312 AktG

In the financial year of 2018, MAX Automation SE was a controlled enterprise, as defined in Section 17 AktG, of Günther Holding SE, Hamburg, Germany. The Executive Directors of MAX Automation SE have therefore prepared a report on relations with affiliated enterprises in accordance with Section 312 (1) AktG which contains the following concluding statement:

"We declare that, in the legal transactions and actions undertaken from 1 January to 31 December 2018 and listed in the report on relations with affiliated companies, the Company received appropriate consideration for each legal transaction in accordance with the circumstances known to us at the time at which the legal transactions were carried out or the actions taken or omitted. To the extent that the Company has been disadvantaged as a result, it has been granted a legal claim to an adequate benefit by way of compensation before the end of the financial year of 2018. The Company has not been disadvantaged by the fact that actions were taken or omitted."

REPORT ON BOARD MEMBERS' COMPENSATION

Compensation of the Board of Directors

In addition to the reimbursement of their expenses, the Chairman and Deputy Chairman of the Board of Directors are paid 120,000 euro and 60,000 euro respectively and the remaining Members of the Board of Directors, with the exception of the Executive Directors, are paid 40,000 euro at the end of the financial year.

This table below shows the resulting compensation for the individual Members of the Board of Directors for the financial year of 2018:

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 figures also include the 12,000 euro paid to Mr. Lerch for sitting on the Supervisory Board at Vecoplan AG.

The Members of the Board of Directors did not receive any loans or advances in the financial year of 2018.

Compensation report

The compensation system in place at MAX Automation SE is based on the principles of proportionality and sustainability. The total amount of compensation takes particular account of the remit of the Executive Directors, their personal performance, the economic situation, the success and future prospects of the enterprise with due regard for the market environment as well as the pay and salary structure in the enterprise and the compensation in other companies of comparable size working in comparable sectors of industry.

The total compensation of the Executive Directors comprises non-performance-related and performance-related components. The targets set by the Board of Directors in respect of the performance-related compensation components are intended to provide sustainable and long-term incentives with a view to increasing the profitability and value of the entire MAX Group and thereby generate added value for all stakeholders.

The overall compensation structure is geared to sustainable corporate development. The fixed compensation accounts for a significant portion of the total compensation package. Some of the performance-related compensation components have an assessment basis spanning several years. Due to the length of the assessment period, their share increasingly gains weight in annual increments. The service contracts of the Executive Directors contain provisions allowing a proportionate reduction of the earnings if the situation of the Company deteriorates to such an extent that it would be unreasonable to continue the payments. The compensation terms also include an upper limit (cap), both for the performance-related components and for the total compensation.

The non-performance-related components of the package consist of the fixed compensation in the form of the fixed annual salary, which is paid in monthly instalments, and ancillary benefits (e.g. private use of staff cars, insurance premiums and rent subsidies for housing). The performance-related pay consists of a one-year variable payment (Short-Term Incentive Plan - “STIP”) and a multi-year variable payment (Long-Term Incentive Plan - “LTIP”). The STIP payment is granted annually and the LTIP payment after the term of four years has expired in any given case.

The payment of the STIP is linked to the achievement of financial performance targets related to the financial year at any given time. The STIP target (amount paid out in the event of 100 % achievement of targets) was set by the Board of Directors as a percentage of the fixed annual salary. In setting the target amount, the Board of Directors took account of various factors, such as the remit and performance of the Executive Directors and their impact on the value chain. The performance targets relate to the EBIT and the RoCE (return on capital employed), in both cases with regard to the Group. The targets are set annually at the beginning of the financial year by the Board of Directors which also sets minimum levels, below which no payout is made, and maximum levels, at or above which the payout is 150 % of the target amount (cap). The payouts therefore range between 0 % and 150 % of the target amount.

The payment of the LTIP is linked to the achievement of financial performance targets which are measured over a period of four financial years, beginning with the financial year in which the respective tranche is granted. The LTIP target (amount paid out in the event of 100 % achievement of targets) was set by the Board of Directors as a percentage of the annual fixed salary, as is the case with the STIP. In setting the target amount for the LTIP, the Board of Directors again took account of various factors, such as the remit and performance of the Executive Directors and their impact on the value chain. The performance targets relate to the growth in sales and to a “MAX bonus” which takes account of the RoCE (return on capital employed), the WACC (weighted average cost of capital) and the amount of capital employed, in each case with regard to the Group. The targets are set at the beginning of the first financial year of the four-year period by the Board of Directors which also sets minimum levels, as with the STIP, below which no payout is made, and maximum levels, at or above which the payout is 150 % of the target amount (cap). The LTIP payouts therefore also range between 0 % and 150 % of the target amount. The term and assessment period of the LTIP tranche granted for the financial year of 2018 comprise the financial years 2016 to 2019, 2017 to 2020, and 2018 to 2021. The amount to be paid out will not be apparent until the end of the respective tranche therefore it will be granted in the last year of the respective tranche.

No share options or similar securities-based incentive systems have been offered to the Executive Directors or employees.

In the event of premature termination of the service contract, the Executive Directors generally receive a severance payment by way of compensation amounting to three months of their fixed annual salary but capped in principle at the prorated value of their compensation claims for the remaining term of the service contract. The claim to compensation will not apply if the Company is entitled to terminate the contract for good cause or if the Managing Director resigns from office without such good cause as is recognised by the Company. The service contracts do not contain any specific commitments to the Managing Director in the event of premature termination following a change of control.

The Company has no pension commitments towards the current Executive Directors. Nor are there any pension commitments to former Members of the Management Board of the AG. Therefore no reserves had to be set aside for this purpose.

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 plan[1]	0	0	0	233
of which 2017 to 2020 plan[1]	0	126	0	233
of which 2018 to 2021 plan[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 plan	0	0	0	0
of which 2017 to 2020 plan	0	0	0	0
of which 2018 to 2021 plan	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

In kEUR	Andreas Krause, Managing Director (CFO) from 01.03.2018 onwards			
	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 plan	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 or credits accrued to the individual 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 pay-ment	0	0	0	0	0	0
Multi-year variable pay-ment	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 Executive Directors did not receive any loans or advances in the financial year of 2018.

Former Members of the Management Board of the AG or their surviving dependants did not receive any compensation in the financial year of 2018.

RISK REPORT

Risk management system and internal control system

Scope of application

A Group-wide risk management system (RMS) has been in place since 2000 which complies with the German Corporate Sector Supervision and Transparency Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich - KonTraG). This enables the early identification of potential risks, both at MAX Automation SE as the parent company and in the operating units, and the initiation of suitable measures in response. The risk management system underwent a radical review in 2009 and has since been continuously updated to accommodate new requirements. Measures were introduced in 2018, the year under review, to restructure the risk management and internal control and reporting system which will be continued in 2019.

Objectives and principles

The objective of the risk management system (RMS) at the MAX Automation Group is to contain risk. The RMS is based on an orderly process of risk identification, risk assessment and risk management encompassing the entire Group. The risk management process is based on the principle of assuring the medium-term and long-term goals of the Company, especially maintaining and expanding its market position within the target sectors. The overriding objectives are to identify the risk factors by managing all the drivers of risk in an appropriate manner and to take proportionate action in response.

The following principles are based on this approach to risk:

- Risk management is integrated into all the key operational business processes and decision-making processes. Risks are primarily managed by the organisational units which operate at local level.
- The risk management process serves as a toolbox for the systematic identification, analysis, management and monitoring of risks which pose a threat to the survival of the business.
- Active and open communication of risks is key to the success of the RMS. All employees of the MAX Automation Group are called upon to be proactive in managing risk in their respective spheres of responsibility.
- The risk assessment is basically conservative, i.e. it estimates the maximum damage which can be expected (worst case).
- Central monitoring is carried out by MAX Automation SE.

Methods and processes

The risk management process involves various computer-assisted matrices structured in such a way as to facilitate the detection and assessment of levels of risk and ultimately the management of risks. Risks and the significance of the risks for the Company are identified in the process and a theoretical risk factor is calculated so that risk management measures can then be formulated to tailor the response to the exact needs at the right time. A list of example risks and a guide to using the electronic file round off the system.

The reporting interval is quarterly. One key element of this standard risk cycle is the risk inventory compiled by the operational units. Individual risks are identified, evaluated and summarised, i.e. assigned to one of seven specific risk classes.

The assessment of the individual risks is the responsibility of the risk management section at the Group companies and at MAX Automation. The risk management handbook serves as a guide. The assessment process consists of three steps. Firstly, where possible, the potential loss and damage are calculated, i.e. the maximum impact that a risk can have on the EBIT within the next 24 months. Secondly, the probability of occurrence is determined in respect of the individual risk. Thirdly, the effectiveness of possible countermeasures is examined and a judgement is made as to whether these will reduce the risk. Ultimately, the net risk potential is left, i.e. the net EBIT risk still remaining after taking into account the probability of occurrence and the effectiveness of the measures.

The net risks in the seven classes are calculated from the sum of all the individual risks included. Depending on the probability of occurrence, each risk class is assigned to one of the following categories:

- Low probability of occurrence < 10 %
- Average probability of occurrence 10 - 50 %
- High probability of occurrence > 50%

The net risks in the classes add up to the overall potential risk to which the Group is exposed. Portfolio and correlation effects are not taken into account.

After conducting the risk inventory, the operating units prepare their risk reports. The risk management section at MAX Automation takes these as a basis to prepare the Group risk report which provides information on major individual risks and on the overall risk and is subsequently discussed by the Executive Directors and the Board of Directors.

The Executive Directors and the Board of Directors are informed immediately of any acute risks. The risk managers are responsible for the identification, evaluation, control, monitoring and reporting of risks. These are usually the heads of the controlling departments at MAX Automation and at the Group companies.

Main features of the risk management system for the accounting process

One essential component of the internal control system (ICS) is the reporting system which is constantly developed by MAX Automation within the value-based reporting framework.

The MAX Automation accounting handbook is available to all the companies in order to ensure consistency and uniformity in the treatment and evaluation of accounting-related issues. The accounting manual is updated regularly. It covers all the regulations, measures and procedures which ensure to an adequate extent that the financial reporting processes are sound and that the annual accounts of the Group and its subsidiaries are prepared in accordance with the IFRS.

The overall responsibility for the RMS/ICS lies with the Executive Directors. They have established a clearly defined management and reporting process for the RMS/ICS which covers all the organisational and legal units. The process is monitored on a random spot-check basis by the accounting and controlling departments at MAX Automation.

The main instruments, governance procedures and safeguarding routines for the accounting process are as follows:

- The MAX Automation Group is characterised by a clear organisational, corporate, governance and monitoring structure.
- Planning, reporting, controlling and early warning systems and processes and lists of transactions requiring approval or disclosure are in place which have been discussed and agreed across the Group for the holistic analysis and management of earnings-related risk factors and risks threatening the continued existence of the business.
- The functions in all areas of the accounting process (e.g. bookkeeping and controlling) are clearly assigned.
- An internal system for the issue of policies (including Group-wide risk management guidelines and an accounting manual, for example) has been established and is adjusted as and when necessary.
- The IT systems used in accounting are protected from unauthorised access. Standard software is mainly used for the financial systems.
- The consolidation software LucaNet is used as standard and is also used for the Group-wide medium-term planning.

Only selected employees are granted access to the consolidation system. Only a small group of employees in Group accounting and controlling has access to all the data. Access for other users is restricted to the data relevant to their job.

The procedure is as follows:

- The subsidiaries report to the parent company on a monthly basis on the developments in the past month and in the current financial year. This process is supplemented at least once a quarter by an updated forecast.
- All the reports are subjected to a critical variance analysis. An additional management report comments on departures from the plan and provides information on measures put in place to fulfil the plan and on developments in the current month and other issues like market conditions, competition, investments, financing and law. Verbal explanations are given to supplement the report.
- In addition, the Executive Directors hold regular discussions with the Executive Directors of the subsidiaries in order to review the business development with reference to the plans and, where necessary, to initiate measures to fulfil the plans.

- One essential component of the RMS is the operative planning. At the end of each financial year, the Executive Directors of the subsidiaries present the current course of the business and outline the corporate strategy going forward. The discussions are based on the corporate strategy and, building on this, three-year plans for business development, investment and liquidity. The planning process helps to identify and assess potential opportunities and risks long before major business decisions are made.
- Fundamental accounting-related processes are subject to regular analysis and review. The existing Group-wide RMS is continuously adapted to current developments and continuously reviewed to ensure that it is fit for purpose. The system was scrutinised by the auditor, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, in the course of the audit of the Consolidated Financial Statement.
- The Board of Directors regularly addresses key issues relating to the RMS.

The accounting-related ICS was optimised and developed in 2018 as part of the "Next Level Corporate Reporting" project.

The RMS/ICS also involves regular training for all employees. Workshops are organised on various subjects, such as the application of accounting standards (e.g. IFRS 15 and IFRS 16), reporting rules and software tools. The accounting processes are adapted quickly in the case of company acquisitions, and new employees are familiarised with all the relevant processes, content and systems.

Finally, it is important to note that neither the RMS nor the ICS can provide absolute security as the installation of appropriate systems can be fundamentally flawed even if the necessary care is taken.

Overall risk situation

The total potential risk to which the Group was exposed at the end of 2018 amounted to around 7.4 million euro (previous year: 6.1 million euro). This includes the net risk potential of 30 quantifiable individual risks (previous year: 55). In addition, there were still 207 non-quantifiable individual risks (previous year: 189). In view of the business volume and the overall economic situation, the overall risk potential is considered to be proportionate and manageable. There are no identifiable risks at present which could jeopardise the continued existence of the Group, either on their own or in interaction with other risks.

Almost half of the total risk potential is attributable to "Risks from business operations/project risks" although, after assessment, these have a probability of occurrence of less than 50 %.

Corporate risks	Probability of occurrence	Possible financial impact	Risk situation for 2018 as compared to the previous year
Strategic risks	Low	Low	No change
Market risks and economic risks	Possible	Low	Better
Risks from business operations/project risks	Possible	Significant	Better
Financial risks/ tax risks	Possible	Significant	Worse
Legal risks	Low	Low	No change
Risks from equity interests	Low	Significant	No change
Other risks (e.g. IT, personnel, environment)	Possible	Low	No change

Degree of potential financial impact on the consolidated result or Group EBIT: low (< 400,000 euro); moderate (from 400,000 euro to 1.3 million euro); significant (> 1.3 million euro)

RISK REPORTING

Risk classes and significant individual risks

- **Market risks and economic risks:** All the companies in the MAX Automation Group are exposed to market risks and economic risks, i.e. geographical and industry-specific economic trends, political reforms (e.g. Brexit, protectionism, trade wars), financial changes (e.g. banking crises), commodity prices and exchange rates which influence the course of business and can impact the future success of the Group companies. As a general principle, the business development of the operating units is closely linked to macroeconomic developments and the economy as a whole. MAX Automation is divided into two segments and is heavily dependent on various markets in the “Industrial Automation” segment, such as the automotive industry. A high degree of specialisation and a strong position within attractive niche markets reduce both the industry risk and the general economic risk. The risk is also minimised by diversification into other sectors, such as medical technology. The process of selling the companies in the Mobility Automation division, which has now been initiated, will greatly reduce dependence on the automotive industry in the future. In principle, however, market risks and economic risks cannot be ruled out.

  As at 31 December 2018, the MAX Automation Group had orders on hand of 173.6 million euro (previous year: 113.7 million euro), providing a time buffer to counteract any market risks and cyclical risks which may arise.

- **Risks from business operations/project risks:** Due to the size of individual projects, MAX Automation sees a possible risk in ***project planning and project execution***. Errors of judgement and/or delays can occur, especially with relatively large projects. The fact that this can have a significant impact on the operating result was particularly evident in 2018 when the forecast for the entire MAX Automation Group had to be revised in an ad hoc announcement dated 28 June 2018 due to liabilities from ongoing projects of the subsidiaries of the IWM Group. MAX Automation counters the risk of misjudgements by means of a project-related risk policy introduced throughout the Group in the middle of 2018. The aim of the project-related risk policy is to provide guidelines on risk awareness at all management levels of the Group.

- **Financial risks:** The Group financing was switched from bilateral bank accounts of the individual Group companies to a uniform ***Group financing*** in 2015 through the new syndicated loan agreement and adjusted again in 2018 in favour of MAX Automation. The covenants agreed with the Group's lending banks have a direct influence on the interest margin and allow the banks an extraordinary right of termination in the event of a failure to comply. There is a regular exchange of information with the lending banks and bond insurance companies. MAX Automation adhered to all the agreed covenants in 2018. These covenants are based on the balance sheet and earnings figures in the Consolidated Financial Statement prepared in accordance with the IFRS. The counterparty default risk is limited by the fact that banking transactions are concluded exclusively with reputable banks.

- There are ongoing risks from the **project business of the former Group company NSM Packtec GmbH** which was sold on 9 March 2018. The MAX Group issued contract performance and advance payment guarantees for an order of the company now operating under the name Finnah Packtec GmbH ("Finnah Packtec"). The purchaser has undertaken to enter into this contract in the deed of sale for Finnah Packtec. No such succession has yet taken place. The guarantee of the advance payment of 4.0 million euro was claimed by the customer of Finnah Packtec at the end of January 2019. The liability in this regard but also the receivable due from the buyer were taken into account in the Consolidated Financial Statement.

  In addition, Finnah Packtec has assigned receivables of 4.9 million euro to the MAX Group. This includes receivables of 2.8 million euro from the contentious project. The issue as to whether they can be collected will depend on the outcome of the dispute over the propriety of the project contract. Furthermore, the contract for the sale of Finnah Packtec provides for a loss-sharing arrangement based on the EBITDA of Finnah Packtec in 2018 (earn-out clause). Provisions of 0.5 million euro were set aside in the Consolidated Financial Statement for this purpose. The Annual Financial Statement of Finnah Packtec has not yet been approved at the time of reporting.

- There are opportunities and risks from the **process of selling** the Mobility Automation companies which was started in the fourth quarter of 2018. Opportunities may arise primarily in a situation where the companies are sold at prices which are higher than their carrying amounts. Risks may arise if the sale is not completed within the planned period or if the selling prices are below the carrying amount of the companies.

Other risks:

- ***Loss of efficiency due to non-standardised IT systems:*** The Group companies all have different IT systems. This leads to a loss of efficiency, especially in respect of standardised processes and possible synergy effects (e.g. purchasing). The introduction of a uniform IT system in the medium term is currently under review.

- ***Portfolio-related measures****:* The planned divestments entail the risk of not being able to sell the business operations as projected. This could have a negative impact on the business outlook, financial situation, profitability and reputation.

- The auditor scrutinised the risk management system of the SE and of the Group during the audit of the 2018 accounts and came to the conclusion that the system is capable of meeting the legal requirements in respect of risk management.

Explanatory report on the disclosures in accordance with Section 315 (4) HGB and Section 289 (4) HGB

Subject of the report

According to the explanatory memorandum on the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz - BilMoG), which entered into force on 29 May 2009, the internal control system embraces the principles, procedures and measures required to ensure effective, due and proper accounting practices and to ensure compliance with the relevant legal provisions. This also includes the internal auditing system insofar as it relates to the accounting procedures.

With regard to the accounting process, the risk management system, as part of the internal control system and like the latter, relates to accounting oversight and monitoring processes, especially for balance sheet items hedging the risks to which the enterprise is exposed.

Key features of the internal control system and of the risk management system with regard to the accounting process

The key features of the existing internal control system at MAX Automation SE and of the risk management system with regard to the (Group) accounting process are detailed at length in the risk report section.

Explanation of the key features of the internal control system and of the risk management system with regard to the accounting process

The internal control and risk management system with regard to the accounting process, the main features of which are outlined above, ensures that business matters are correctly recorded, presented and recognised in the balance sheet and so transferred to the external accounts.

The clear organisational, corporate, governance and monitoring structure of the accounting department as well as the qualified staff and material resources form the basis for the efficient work of the departments involved in the accounting process. Clear statutory and internal requirements and guidelines ensure a uniform and orderly accounting process. The clearly defined review mechanisms within the divisions involved in the accounting process itself and early identification of risk through the risk management system guarantee coherent accounting practices.

The internal control and risk management system at MAX Automation SE ensures that the accounting processes at MAX Automation SE and in all the companies included in the Consolidated Financial Statement are consistent and compliant with the legal provisions, statutory requirements and internal guidelines. The Group-wide risk management system, which complies fully with the legal requirements, is responsible for identifying risks in due time, evaluating them, and reporting them through the appropriate channels so as to ensure that accurate, relevant and reliable information is promptly directed to the correct recipients.

The risk management and internal control system of the Group was restructured in 2018. This process, which is designed to optimise the reporting and controlling instruments, will be continued in 2019.

OPPORTUNITIES REPORT

The business segments of the MAX Automation Group serve various growth drivers which are benefiting worldwide from the dynamic technological development in the wake of digitisation and from changes in the political and social arena. This strategic positioning of the Group opens up numerous opportunities which can have a positive impact on the course of business.

The long-term strategy adopted by MAX Automation seeks to focus on a number of growth areas with good prospects and high profit margins, to increase local presence and value added in attractive foreign markets, and to develop an innovative range of services in networked production. This is meant to be accompanied by a reduction in volatility in order intake, operational excellence in project management, expansion of the service business and increased exploitation of existing synergies in the Group.

Uniform standards for risk management and controlling within the Group are of major importance in this regard. Mandatory reporting and controlling instruments for this purpose are binding on all the companies in the Group.

Opportunity management

MAX Automation understands opportunities to be possible avenues of diversion from targets opened up through events or developments. The opportunity management system encompasses all the measures involved in a systematic and transparent approach to potential business. The Executive Directors of MAX Automation SE enter into strategic dialogue with the Executive Directors of the subsidiaries to this end. The basis for this is a structured and standardised Group-wide process involving joint review meetings with the Executive Directors three times a year in all the Group companies in which they discuss the adoption of their strategies and outline the opportunities and risks from relevant market trends and directions in technology.

Following on from the strategic dialogue, all the companies write up the opportunities in their operational plans and monthly reports in order to be able to assess and analyse the current earnings and liquidity situation more accurately.

All the decision-makers are involved in the opportunity management system, from the Executive Directors of the MAX Group and the executives in the Group companies right through to the departmental heads and project managers. The process is supported by the “Corporate Development” holding function.

Due to its integral link with the strategic, planning and reporting processes, opportunity management is a key component of the strategic and value-based governance at MAX Automation.

Markets and competitive opportunities

MAX Automation operates in various markets in the Industrial Automation segment, and the Group expects significant opportunities in the segment combined with overarching growth drivers:

- In industrial production, there is a continuous rise in the degree of automation and in the demand for efficient processes, especially with a view to progressively strong networking. This development is based on several trends. In the automotive industry, these include the growing demand for powerful driver assistance systems through to driverless cars and for customised, freely configurable equipment. At the same time, policy decisions and increased environmental awareness among the public have ignited the social conscience and led to targets for the sustainable reduction of CO_2 emissions from conventional combustion engines and for the development of powerful electric drives.
- MAX Automation provides specialist services in proprietary mechanical engineering processes, including metering, hot riveting, plasma treatment and impregnation. For example, bdtronic offers solutions for bonding and sealing the adaptive cruise control unit in vehicles and, with the largest and fastest impregnation machine in the world, it offers unique process expertise and experience in the coating of electric motors for high production volumes. MA micro automation manufactures lenses for cameras used in driver assistance systems.
- The medical technology sector is dominated by worldwide trends, such as general medical progress, growing health awareness in society, individual approaches to therapy using so-called digital e-health solutions, or the desire of patients for more freedom in their treatment, perhaps in the form of self-medication, for example.

  At the same time, the medical technology market has high barriers to entry in insisting that manufacturers meet strict regulatory requirements in terms of quality and technology, thereby enabling long-term customer relations based on trust.
- MAX Automation has specialist expertise and the necessary prerequisites to meet the numerous requirements in medical technology, especially with MA micro automation on board. This is evident in the growing customer base which is a good starting point to share in the growth in the market.
- Digital networking has become an integral part of industrial production. At the same time, there is a trend towards complex robotics solutions. The use of collaborative robots, for example, is contributing to a significant transition to flexibility and increased efficiency in production.
- The MAX Automation Group has a wide range of knowledge and technology to be able to keep pace with the progress and to help shape the developments in Industry 4.0 and in robotics. One point of note in this regard is that the Group is establishing a growing client base as its sales of machines and systems increase, thereby boosting the potential for business in after-sales service. The subsidiaries can meet the demands in this regard, given their expertise in servicing and remote maintenance.

The MAX companies are seeing increased demand in their international business for production in line with local market requirements and local presence for after-sales service and sales. The Group therefore has sites in Europe, North America and Asia, guaranteeing extensive customer support and opening up additional opportunities in order acquisition.

MAX Automation predicts the following major growth opportunities in the Environmental Technology segment:

- Environmental protection, conservation of natural resources, and recycling of waste and residual materials with a view to returning them to the cycle of recovered substances and using them for energy are becoming increasingly important all over the world. The heightened environmental awareness among the public in general along with economic and social changes, such as the steep growth in big cities in Asia, for example, are leading to a constantly increasing demand for high-output and innovative solutions for the environmentally-friendly disposal of waste and the efficient processing of residual materials.
- The MAX Automation Group has a wealth of expertise in the development, production and maintenance of individual components and systems thanks to the many years of experience of Vecoplan which is well established in the market. The Group has the opportunity to benefit from the continuously increasing demands for climate control and environmental protection.
- There are policies in place at regional, national and international level imposing stricter requirements with regard to environmental protection and recycling of residual and reusable materials. One milestone in this development was the third United Nations Environment Assembly (UNEA) in December 2017, at which more than 100 participating countries committed themselves to the move "towards a pollution-free planet". At the same time, binding regulations have been in place for years, as reflected in the targets in the European Union (EU) for the reduction of carbon dioxide emissions, for example, or in the "Zero Waste" schemes run by the local authorities in North America. China plans to tighten its ban on waste imports in July 2019 which will further increase the demand for recycling solutions in the exporting countries in the opinion of MAX Automation.
- Overall, the Group anticipates a rising demand for efficient reprocessing solutions. Its aim in response to this situation is to develop existing solutions for the recycling of valuable materials and to adapt them to markets facing increasingly complex challenges in individual countries.

Opportunities from synergy effects

In addition to the respective growth drivers in the Industrial Automation and Environmental Technology segments, the MAX Automation Group sees opportunities in the exploitation of synergies between the Group companies. These include the pooling of operations in purchasing (bundling of volume and benchmarking in aid of purchasing benefits) and financing, or the transfer of know-how and technology, for example, as well as best-practice approaches in joint projects and the development of new applications.

One of the goals of MAX Automation is to increase the value added in the Group through the targeted increase of supply and service relationships between the Group companies. To a limited extent, there are also opportunities to exploit synergies in sales through project-based collaboration within the Group.

OUTLOOK

Macroeconomic environment

According to International Monetary Fund (IMF) estimates, the global economy will grow at a more measured and slower pace in 2019. The main reasons it cites for this are persistent political uncertainties, such as the trade conflict between the USA and China or the danger of a disorderly Brexit. Other influencing factors flagged up by the IMF include incalculable effects of a more restrictive monetary policy at the major central banks and the possibility of a further slowdown in the Chinese economy.

The IMF forecasts global economic growth of 3.5 % for 2019 (2018: 3.7 %). Growth in China is expected to be down on 2018 at 6.2 % (2018: 6.6 %). According to the IMF, the economy in the USA will grow by 2.5 % compared with 2.9 % in the previous year.

The IMF predicts that economic growth in the Eurozone will slow to 1.6 % in 2019 (2018: 2.0 %). The Institute for the World Economy (IfW) points to structural problems, especially in Italy and France, which it expects will take time to solve. According to the Institute, risks stemmed from the decision taken by the Italian government to abandon the consensus on the stability criteria underlying the euro. The political protests in France at the beginning of 2019 also created uncertainty about the country's ability to reform. The IfW expects economic output in the Eurozone to increase by 1.7 % overall in 2019.

The IfW anticipates the gross domestic product (GDP) in Germany to grow by 1.8 %. The Institute cites stronger export figures than in the previous year and higher private consumer spending as key influencing factors, in some cases as a result of generous wage increases. The construction industry, by contrast, will reach the limits of its capacity. The IMF forecasts that the German economy will grow by a mere 1.3 % in 2019, due in part to the negative impact of new emission requirements for diesel vehicles on industrial and auto production, and on private consumption combined with more sluggish demand from abroad.

Sources:

- International Monetary Fund (IMF), World Economic Outlook, October 2018 and January 2019
- Institute for the World Economy (IfW), World Economy, Winter 2018, 11 December 2018
- Institute for the World Economy (IfW), Economic Outlook, press release, 12 December 2018

Development of relevant industries

The German mechanical and plant engineering industry is optimistic about 2019, with the German Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau - VDMA) expecting its member companies to increase their revenue in the industry to around 247 billion euro (2018: 240 billion euro). The Association also sounds a note of caution, however, pointing to the high export ratio of almost 80 % in the German mechanical engineering sector and the resulting dependence of the sector on the development of the global economy. The ongoing trade conflict between the USA and China, for example, or Brexit could have a direct impact on the course of business in mechanical engineering.

There will be a gratifying movement in the demand for robotics solutions in the medium term. According to the International Federation of Robotics (IFR), the global stock of industrial robots will rise by 14 % annually until 2021, roughly corresponding to an average increase of 630,000 units per year. This follows on from its forecast from the previous year, according to which there is set to be a global supply of 3.1 million industrial robots in 2020. The IFR explained that the robotics solutions are constantly being developed and enhanced using modern technologies like machine vision, error forecasts and artificial intelligence or new concepts in human-machine collaboration. The IFR expects that robotics solutions will improve productivity in manufacturing and expand the areas of application for robots.

The German Association of the Automotive Industry (Verband der Automobilindustrie - VDA) regards 2019 as a year of transition. The vehicle manufacturers are therefore facing mounting challenges, such as lower emissions, networked and automated driving systems, and higher environmental protection and climate control requirements in general. Nevertheless, the VDA still believes global vehicle production could reach the 17 million unit mark for the first time (2018: 16.5 million units) in a favourable economic climate.

In the medical technology sector, the industry association Spectaris is confident about the current year and expects sales to increase by 4 % to more than 32 billion euro (2018: around 31 billion euro). It suggests that business with the emerging markets will provide significant impetus for growth but also anticipates positive developments in Europe and the USA.

Based on discussions with various companies, the VDMA Waste Treatment and Recycling Technology Association (VDMA-Fachverband Abfall- und Recyclingtechnik) is optimistic about the development of the sector in 2019. The companies claim to have full order books and domestic demand is allegedly also good. It is assumed that challenges will arise with the availability of personnel and materials. The Federal Association for Secondary Raw Materials and Waste Management (Bundesverband Sekundärrohstoffe und Entsorgung - bvse) is expecting a more difficult overall economic environment for SMEs in the recycling and waste management sector in 2019 as well as a sustained consolidation process in the sector.

Sources:

- Verband Deutscher Maschinen- und Anlagenbau (VDMA), press releases, 12 December 2017
- International Federation of Robotics, press release, 27 September 2017
- Verband der Automobilindustrie (VDA), press release, 6 December 2017
- Spectaris, Fachverband Medizintechnik, press release, 9 November 2017
- VDMA Fachverband Abfall- und Recyclingtechnik, bulletin, 1 February 2019
- Bundesverband Sekundärrohstoffe und Entsorgung (bvse), press release, 22 January 2019

Prospective development in the financial year of 2019

The Board of Directors of MAX Automation SE is basically optimistic about the development of the Group in the financial year of 2019 and beyond. It expects the healthy demand for the Group's high-tech automation solutions in its core business to continue on the basis of the overall economic outlook, the industry prospects and the trends in the Industrial Automation and Environmental Technology markets.

MAX Automation is focusing on attractive growth markets which offer above-average margins and limited volatility. There will also be a further push to increase the efficiency in the Group and reduce its risk profile. Uniform standards for risk management and controlling as well as clear and binding guidelines for the acquisition of orders will play an important role here. MAX Automation already invested heavily in corresponding control systems in 2018 and will do so again in 2019. The goal is to achieve a further reduction in the funds tied up with working capital, which will be sustained at a maximum of 15 % of the sales across the Group.

One important factor in 2019 will be the continuation of the divestments of the companies in the IWM Automation Group, ELWEMA Automotive GmbH and the 51 % stake in MAX Automation (Shanghai) Co., Ltd., as resolved in September 2018. The strategic decision on which these sales are based to withdraw from the construction of special-purpose machines/assembly lines for automotive customers will have a positive impact on the financing power, risk profile and earnings position of the MAX Automation Group in the medium term. The structured sales processes for the companies are expected to be completed in the course of 2019.

By concentrating on the core business and the agreed divestments, the Board of Directors of MAX Automation is seeking a new segmentation of the Group. The business operations will probably be divided into three segments – Process Technologies, Environmental Technologies and Evolving Technologies – which will replace the existing segments Industrial Automation and Environmental Technology. Reporting according to the new segments is to proceed with the publication of the quarterly figures for Q1 2019.

Financial forecast

The Executive Directors see the position of MAX Automation with its continued business units as promising and strategically strong, and they regard the high order backlog at the beginning of 2019 as a good starting point for further development in the course of the year. The withdrawal from the manufacture of special-purpose machines for the automotive industry in the Mobility Automation division will have a positive effect on the risk profile and financing power of MAX Automation.

The outlook for the global economy in 2019 has been downgraded on the previous year, however. MAX Automation will therefore conduct a precise analysis of the economic development going forward. It remains to be seen to what extent the business trading of MAX Automation will be affected by a more subdued demand due to the economic situation. The introduction of the structural measures at the IWM Group in the course of the selling process will lead to further costs in the first quarter, although the largest portion by far was already included in the Consolidated Financial Statement for 2018.

The Executive Directors are assuming consolidated sales of more than 300 million euro and an EBITDA of more than 20 million euro for the continuing operations in the financial year of 2019 on the basis of the current portfolio and the expected developments in the economy as a whole (excluding the effects of the changeover from IFRS 16).

Prospective business development of the SE

The earnings position of MAX Automation SE is heavily dependent on the development of the Group. Based on the expected development of the operating companies, the Executive Directors are anticipating a rise in profit transfer and investment income for the financial year of 2019.

Forward-looking statements

This report contains forward-looking statements based on the current assumptions and forecasts made by the managers of MAX Automation SE. Such statements are subject to risks and ambiguities. These and other factors may lead to a situation where the actual results, financial position, developments or capacity of the Company differ substantially from the estimates given here. The Company assumes no liability whatsoever to update these forward-looking statements or to adapt them in the light of future events or developments.

Düsseldorf, February 2019

The Executive Directors

Daniel Fink Andreas Krause

CONSOLIDATED FINANCIAL STATEMENT

BALANCE SHEET

of the MAX Automation SE, Düsseldorf, 31. December 2018

ASSETS		31.12.2018	31.12.2017
	Notes	kEUR	kEUR
Non-current assets			
Intangible assets	(1)	3,643	13,667
Goodwill	(2)	42,067	53,091
Property, plant and equipment	(3)	25,136	31,481
Investment property	(4)	1,254	1,379
Equity accounted investments	(5)	2,369	3,542
Other financial assets	(6)	6,668	2,593
Deferred taxes	(7)	6,482	4,724
Other non-current assets	(8)	330	601
Total non-current assets		**87,949**	**111,078**
Current assets			
Inventories	(9)	48,955	42,095
Trade receivables	(10)	49,940	138,326
Receivables from related companies	(11)	19	40
Prepayments and accrued income, and other current assets	(12)	11,021	5,639
Cash and cash equivalents	(13)	31,779	26,154
Assets held for sale	(14)	134,674	
Total current assets		**276,388**	**212,255**
Total assets		**364,337**	**323,332**

BALANCE SHEET

of the MAX Automation SE, Düsseldorf, 31. December 2018

EQITY AND LIABILITIES		31.12.2018	31.12.2017
	Notes	kEUR	kEUR
Equity			
Subscribed share capital	(15)	29,459	29,459
Capital reserves	(16)	18,907	18,907
Revenue reserves	(16)	29,215	31,168
Equity difference from currency translation		-65	66
Adjustment item for minority interests	(16)	-4,520	576
Unappropriated retained earnings	(17)	18,588	58,821
Total equity		**91,584**	**138,997**
Non-current liabilities			
Non-current debt less current portion	(18)	76,768	64,847
Pension provisions	(19)	950	963
Other provisions	(25)	2,191	1,489
Deferred taxes	(7)	6,816	8,245
Other non-current liabilities	(18)	150	1,794
Total non-current liabilities		**86,875**	**77,338**
Current liabilities			
Trade payables	(20)	71,057	72,614
Current loans and current portion of non-current loans	(21)	1,086	8,416
Liabilities to related companies	(22)		148
Other current financial liabilities	(23)	16,220	12,899
Provisions and liabilities from income taxes	(24)	4,321	4,962
Other provisions	(25)	8,127	5,113
Other current liabilities	(26)	4,048	2,845
Liabilities in connection with assets held for sale	(14)	81,019	
Total current liabilities		**185,878**	**106,997**
Total liabilities		**364,337**	**323,332**

STATEMENT OF COMPREHENSIVE INCOME

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

		2018	2017
	Notes	kEUR	kEUR
Revenue	(27)	**277,383**	**250,829**
Change in inventories of finished goods and work in progress		-1,849	-65
Internally produced and capitalised assets		1,253	806
Revenue		**276,787**	**251,570**
Other operating revenue	(28)	8,247	6,482
Cost of materials	(29)	-128,372	-110,321
Personnel expenses	(30)	-89,997	-83,690
Depreciation	(31)	-10,495	-6,234
Other operating expenses	(32)	-42,615	-37,971
Operating profit		**13,555**	**19,835**
Net interest result	(33)	-2,692	-2,783
Result from equity valuation	(5)	-1,237	-197
Earnings before taxes		**9,626**	**16,855**
Income taxes	(34)	1,873	-3,240
Earnings from continuing operations		**11,499**	**13,614**
Discontinued operations			
Earnings from discontinued operations after taxes		-47,120	512
Net income		**-35,621**	**14,127**
of which attributable to minority interests	(16)	-4,807	162
of which attributable to MAX Automation SE shareholders		-30,814	13,965
Items not reclassified to profit or loss			
Actuarial gains and losses from employee benefits	(19)	22	33
Income taxes on actuarial gains and losses		7	-10
Items that may subsequently be reclassified to profit or loss		**29**	**23**
Currency translation differences		-132	-900
Total comprehensive income		**-35,724**	**13,250**
of which attributable to minority interests	(16)	-4,807	162
of which attributable to MAX Automation SE shareholders		-30,917	13,088
Earnings per share (diluted and undiluted) in EUR		-1.05	0.50
Earnings per share (diluted and undiluted) in EUR - continuing operations		0.39	0.48

STATEMENT OF CHANGES IN EQUITY

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

	Subscribed share capital	Capital reserve	Actuarial gains and losses	Other revenue reserves	Currency translation differences	Adjustment item for minority interests	Unappropriated retained earnings	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
As at 01.01.2017	**26,794**	**3,055**	**-229**	**26,373**	**966**	**426**	**53,875**	**111,260**
Dividend payments	0	0	0	0	0	0	-4,019	-4,019
Payments to minority interests	0	0	0	0	0	-12	0	-12
Capital increase	2,665	15,852	0	0	0	0	0	18,517
Transfer to retained earnings	0	0	0	5,000	0	0	-5,000	0
Total comprehensive income	0	0	24	0	-900	162	13,965	13,250
As at 31.12.2017	**29,459**	**18,907**	**-205**	**31,373**	**66**	**576**	**58,821**	**138,997**
As at 01.01.2018	**29,459**	**18,907**	**-205**	**31,373**	**66**	**576**	**58,821**	**138,997**
Dividend payments	0	0	0	0	0	0	-4,419	-4,419
Payments to minority interests	0	0	0	0	0	-289	0	-289
Capital increase	0	0	0	0	0	0	0	0
Change of accounting methods	0	0	0	-4,044	0	0	0	-4,044
Non-controlling interests from the acquisition of a subsidiary	0	0	0	-2,937	0	0	0	-2,937
Transfer to retained earnings	0	0	0	5,000	0	0	-5,000	0
Total comprehensive income	0	0	28	0	-131	-4,807	-30,814	-35,724
As at 31.12.2018	**29,459**	**18,907**	**-177**	**29,392**	**-65**	**-4,520**	**18,588**	**91,584**

The accompanying Notes are an integral part of the Consolidated Financial Statement.

The adjustments to the figures for the previous year are explained in the Notes on the Consolidated Accounts.

CONSOLIDATED CASH FLOW STATEMENT

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

1	Cash flow from operating activities	Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
	Net income		-36,869	14,127
	Adjustments for reconciliation of consolidated net income to cash flow from operating activities:			
	Income taxes	(33)	-2,872	2,903
	Net interest result	(32)	3,362	3,159
	Amotisation	(30)	18,108	4,529
	Depreciation	(30)	4,306	3,899
	Depreciation of investment properties	(30)	63	25
	Profit (-) / loss (+) from disposal of property, plant and equipment and intangible assets	(3)	350	17
	Profit (-) / loss (+) from disposal of subsidiaries		-2,863	0
	Other non-cash expenses and income		11,116	-1,389
	Changes in assets and liabilities			
	Increase (-) / decrease (+) in other non-current assets	(8)	574	-352
	Increase (-) / decrease (+) in inventories	(9)	-5,080	-2,325
	Increase (-) / decrease (+) in trade receivables	(10)	-23,132	-16,453
	Increase (-) / decrease (+) in receivables from related companies	(11)	21	50
	Increase (-) / decrease (+) in prepayments, accrued income and ohter assets	(12)	-549	726
	Increase (+) / decrease (-) in other non-current financial liabilities		-18	269
	Increase (+) / decrease (-) in pension provisions	(19)	-13	-70
	Increase (+) / decrease (-) in trade payables	(20)	51,187	10,826
	Increase (+) / decrease (-) in other provisions and liabilities		6,944	-521
	Increase (+) / decrease (-) in liabilities to related companies		0	1,220
	Income taxes paid	(33)	-4,215	-2,607
	Refunded income taxes	(33)	130	654
=	**Cash flow from operating activities**		**20,550**	**18,687**
2	**Cash flow from investing activities**			
	Payments for investments in intangible assets	(1)	-2,488	-3,313
	Payments for investments in property, plant and equipment	(2)	-4,548	-4,441
	Payments for investments in financial assets	(5)(6)	-17	-3,895
	Proceeds from disposal of intangible assets	(1)	1,220	507
	Proceeds from disposal of property, plant and equipment	(2)	350	343
	Proceeds from disposal of investment properties	(4)	0	4,250
	Payments for the acquisition of subsidiaries less cash and cash equivalents		-10,842	0
	Proceeds from the disposal of subsidiaries less cash and cash equivalents		2,869	0
=	**Cash flow from investing activities**		**-13,456**	**-6,549**
3	**Cash flow from financing activities**			
	Payment of dividends		-4,419	-4,019
	Proceeds from cash capital increase	(17)	0	18,655
	Payment for cash capital increase		0	-161
	Drawdown of non-current finance loans		55,000	109,500
	Repayment of non-current finance loans	(18)	-43,976	-126,443
	Change in current financial liabilities	(18)	-3,270	-3,424
	Interest paid	(32)	-3,053	-2,786
	Interest received	(32)	130	246
	Payments to minority interests		-289	0
=	**Cash flow from financing activities**		**123**	**-8,432**

CONSOLIDATED CASH FLOW STATEMENT

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

		Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
4	**Funds for financing purposes**			
	Increase/decrease in funds for financing purposes		**7,217**	**3,706**
	Effect of exchange rate changes		147	-575
	Funds for financing purposes at beginning of financial year		**26,154**	**23,023**
	Funds for financing purposes at end of financial year		**33,518**	**26,154**
5	**Composition of funds for financing purposes**			
=	**Cash and cash equivalents**	(13)	**33,518**	**26,154**

		Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
6	**Cash flows from continuing operations**			
	Funds for financing purposes at beginning of financial year		**26,154**	**23,023**
	Financial resources at beginning of financial year attributable to discontinued operations		-2,038	-1,762
	Cash flow from operating activities		10,581	11,906
	Cash flow from investing activities		-1,174	-2,003
	Cash flow from financing activities		-1,888	-6,473
	Effect of exchange rate changes		144	-575
7	**Composition of funds for financing purposes of continuing operations**			
=	**Cash and cash equivalents**		**31,779**	**24,116**

		Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
8	**Cash flows from discontinued operations**			
	Funds for financing purposes at beginning of financial year		**2,038**	**1,762**
	Cash flow from operating activities		9,969	6,781
	Cash flow from investing activities		-12,282	-4,546
	Cash flow from financing activities		2,011	-1,959
	Effect of exchange rate changes		3	0
9	**Composition of funds for financing purposes of discontinued operations**			
=	**Cash and cash equivalents**		**1,739**	**2,038**

CONSOLIDATED CASH FLOW STATEMENT

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

Additional information:	Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
Acquisition of subsidiaries			
Goodwill		5,954	0
Intangible assets		8,797	0
Property, plant and equipment		3,510	0
Other non-current assets		48	0
Deferred taxes		443	0
Inventories		3,582	0
Trade receivables		5,177	0
Prepayments and accrued income, and other current assets		446	0
Cash and cash equivalents		512	0
Non-current financial liabilities		-830	0
Non-current provisions		-1,243	0
Deferred taxes		-2,467	0
Trade payables		-5,304	0
Current loans		0	0
Other current financial liabilities		-1,396	0
Provisions and liabilities from taxes		-4	0
Other provisions		-13	0
Other current liabilities		-105	0
Minority interests		-4,300	0
Purchase price		12,807	0
Cash and cash equivalents acquired		-512	0
Purchase price paid less cash and cash equivalents acquired		**12,295**	0

Additional information:	Notes	01.01.-31.12.2018 kEUR	01.01.-31.12.2017 kEUR
Disposal of subsidiaries:			
Intangible assets		-1,122	0
Property, plant and equipment		-72	0
Other non-current assets		-965	0
Inventories		-1,796	0
Trade receivables		-6,059	0
Prepayments and accrued income, and other current assets		-74	0
Cash and cash equivalents		-631	0
Deferred taxes		942	0
Trade payables		1,651	0
Other current financial liabilities		7,526	0
Other provisions		117	0
Other current liabilities		650	0
Cash outflows		631	0
Gross proceeds from the disposal of subsidiaries		**3,333**	**0**
Minus earn-out		470	0
Net proceeds from the disposal of subsidiaries		**2,863**	**0**
Purchase price received		**3,500**	**0**
Cash outflows		-631	0
Purchase price received less cash and cash equivalents		**2,869**	**0**

CONSOLIDATED CASH FLOW STATEMENT

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

Segment	Industrial Automation		Environmental Technology		Discontinued operations	
Reporting period	2018	2017	2018	2017	2018	2017
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Order intake	**209,411**	**155,946**	**115,992**	**92,916**	**82,188**	**134,767**
Order backlog	**139,070**	**83,929**	**34,550**	**29,744**	**83,885**	**-85,011**
Segment revenues	**167,951**	**162,622**	**110,601**	**89,442**	**127,706**	**125,663**
- with external customers	166,571	161,019	110,599	89,442	127,502	125,351
- of which Germany	82,190	72,080	22,307	17,863	44,933	30,172
- of which other EU countries	40,988	35,264	30,915	27,074	27,295	33,279
- of which North America	14,719	33,807	43,791	36,303	4,005	22,915
- of which China	6,089	8,478	0	0	33,718	26,454
- of which rest of the world	22,585	11,390	13,587	8,202	17,551	12,531
- intersegment revenues	1,379	1,603	2	0	204	313
EBITDA	**22,627**	**23,295**	**10,049**	**8,095**	**-39,239**	**1,978**
Segment operating profit (EBIT before PPA amortisation)	**19,104**	**20,018**	**8,522**	**6,489**	**-42,440**	**379**
Contained including:						
- special write-offs/regular depreciation	-3,522	-3,277	-1,527	-1,606	-3,201	-1,599
- additions to other provisions and pension provisions	-2,944	-1,888	-2,301	-1,859	-3,771	-249
Segment operatingprofit after PPA amortisation	**13,912**	**19,164**	**8,522**	**6,466**	**-49,957**	**-464**
Contained including:						
- depreciation from purchase price allocation	-993	-854	0	-24	-2,312	-843
- amortisation of goodwill	-4,200	0	0	0	-5,205	0
Segment result from ordinary activities (EBT)	**11,329**	**18,070**	**8,305**	**6,043**	**-51,954**	**-2,337**
Contained including:						
- interest income and similar income	191	43	81	28	21	21
- interest expense and similar expenses	-1,409	-1,137	-298	-507	-2,018	-1,965
- result from equity valuation	0	0	0	56	0	0
- income taxes	1,286	-296	-1,860	-2,601	999	337
Earnings from discontinued operations after taxes	**0**	**0**	**0**	**0**	**-50,932**	**-2,746**
Earnings from continuing operations	**12,615**	**17,774**	**6,445**	**3,442**	**0**	**0**
Net income	**12,615**	**17,774**	**6,445**	**3,442**	**-50,932**	**-2,746**
Non-current segment assets (excluding deferred taxes)	**26,611**	**31,464**	**12,376**	**12,876**	**27,410**	**22,645**
- of which Germany	22,766	31,105	9,918	10,393	20,199	22,607
- of which other EU countries	3,422	0	36	42	26	38
- of which North America	296	225	2,422	2,442	0	0
- of which rest of the world	127	134	0	0	7,185	0
Investments in non-current segment assets	**6,611**	**3,256**	**1,182**	**909**	**17,023**	**3,475**
Working capital	**14,749**	**27,145**	**14,379**	**14,877**	**38,475**	**66,305**
Average number of employees excluding trainees	**848**	**790**	**375**	**374**	**550**	**404**

The segment reporting section is included in the Notes.

CONSOLIDATED CASH FLOW STATEMENT

of the MAX Automation SE, Düsseldorf, from 1. January to 31. December 2018

Segment	Reconciliation		Group	
Reporting period	**2018**	**2017**	**2018**	**2017**
	kEUR	**kEUR**	**kEUR**	**kEUR**
Order intake	**-82,188**	**-134,767**	**325,403**	**248,863**
Order backlog	**-83,885**	**85,011**	**173,620**	**113,673**
Segment revenues	**-128,875**	**-126,898**	**277,383**	**250,829**
- with external customers	-127,290	-124,983	277,383	250,829
- of which Germany	-44,721	-29,804	104,709	90,311
- of which other EU countries	-27,295	-33,279	71,903	62,338
- of which North America	-4,005	-22,915	58,510	70,110
- of which China	-33,718	-26,454	6,089	8,478
- of which rest of the world	-17,551	-12,531	36,172	19,591
- intersegment revenues	-1,585	-1,915	0	0
EBITDA	**30,613**	**-7,299**	**24,050**	**26,069**
Segment operating profit (EBIT before PPA amortisation)	**33,612**	**-5,854**	**18,798**	**21,032**
Contained including:				
- special write-offs/regular depreciation	2,999	1,444	-5,251	-5,037
- additions to other provisions and pension provisions	1,877	44	-7,139	-3,952
Segment operatingprofit after PPA amortisation	**41,078**	**-5,330**	**13,555**	**19,835**
Contained including:				
- depreciation from purchase price allocation	2,261	524	-1,044	-1,197
- amortisation of goodwill	5,205	0	-4,200	0
Segment result from ordinary activities (EBT)	**41,946**	**-4,920**	**9,626**	**16,855**
Contained including:				
- interest income and similar income	-225	292	67	383
- interest expense and similar expenses	967	443	-2,758	-3,166
- result from equity valuation	-1,237	-253	-1,237	-197
- income taxes	1,448	-681	1,873	-3,240
Earnings from discontinued operations after taxes	**3,813**	**3,259**	**-47,119**	**512**
Earnings from continuing operations	**-7,562**	**-7,601**	**11,499**	**13,614**
Net income	**-3,749**	**-4,343**	**-35,621**	**14,127**
Non-current segment assets (excluding deferred taxes)	**10,165**	**16,722**	**76,562**	**83,708**
- of which Germany	17,376	16,761	70,259	80,865
- of which other EU countries	-26	-38	3,458	42
- of which North America	0	0	2,719	2,667
- of which rest of the world	-7,185	0	127	134
Investments in non-current segment assets	**70**	**113**	**24,886**	**7,753**
Working capital	**-39,765**	**-520**	**27,838**	**107,807**
Average number of employees excluding trainees	**-550**	**-396**	**1,223**	**1,172**

The segment reporting section is included in the Notes.

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 postition 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.

Amend-ments 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	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.	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. 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.
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.

Amend-ments to IFRS 9	Prepayment Features with Negative Com-pensation	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 pro-vided on the modification of financial liabilities which do not result in derecognition.	No implications.
Amend-ments 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 associ-ates 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 appli-cation of IFRS 9 therefore takes precedence over the application of IAS 28.	No implications.
Amend-ments to IAS 19		01.01.2019	The amendments require companies to use updated as-sumptions to determine current service cost and net in-terest for the remainder of the reporting period follow-ing 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 pre-viously recognised due to the effect of the asset ceiling.	No implications.
Various	Annual Im-provements to IFRS Stand-ards 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 in-dustry.	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 asso-ciate or joint venture.	No implications.
IFRS 17	Insurance Con-tracts	01.01.2021	IFRS 17 covers the accounting treatment of insurance contracts. It is mainly addressed to the insurance in-dustry.	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 as-sociate 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.

Eqity 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 co-ordinated 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 undiluted 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.

		Balance sheet closing rate		P&L average rate	
	EUR=	**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

		Balance sheet closing rate		P&L average rate	
	HKD=	**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 classified 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 Spólka 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 bdronic 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:

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.

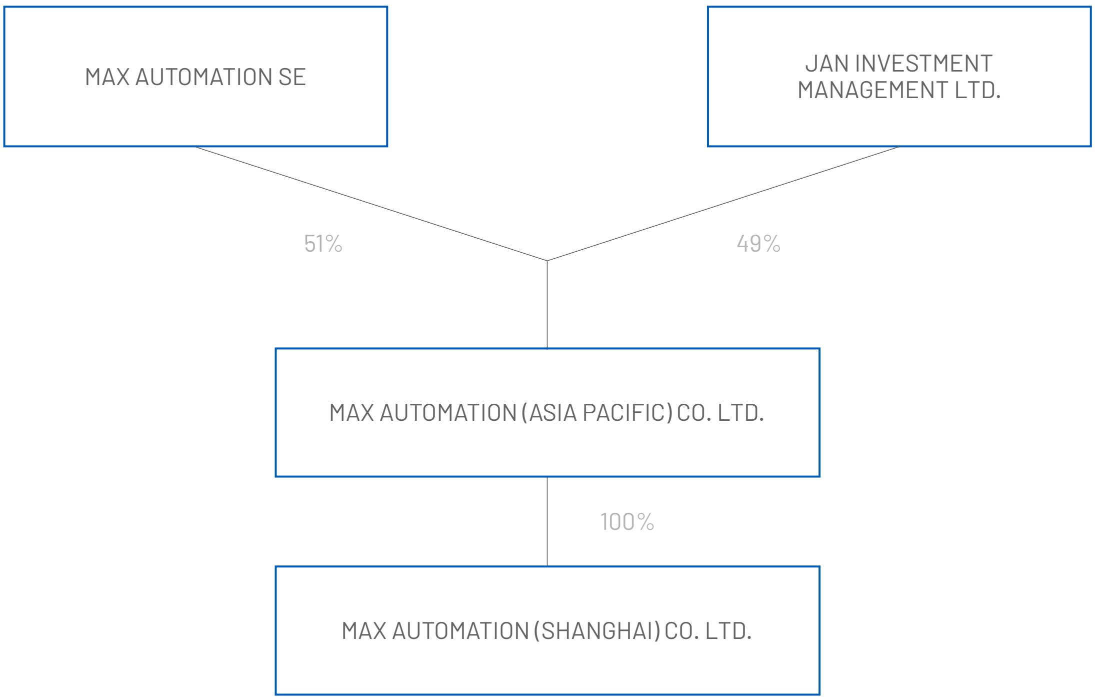
MAX Automation (Shanghai) Co., Ltd. took over the operations of the Chinese mechanical engineering company Shanghai Cisens Automation Co., Ltd. and Changchun Cisens Automation Co., Ltd. (Cisens Group) by virtue of the contract dated 8 March 2018 as part of an asset deal. The company was included in the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

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:

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
(of which discontinued business)	*(8,256)*	*(7,038)*	*(54)*	*(15,348)*
Change in scope of consolidation	7,288	285	50	7,623
(of which discontinued business)	*(7,671)*	*(0)*	*(0)*	*(7,671)*
Currency differences	–102	0	–2	–104
(of which discontinued business)	*–(136)*	*(0)*	*(1)*	*–(135)*
Additions	659	1,495	334	2,488
(of which discontinued business)	*(173)*	*(1,495)*	*(185)*	*(1,852)*
Disposals	-98	-598	-1,133	-1,829
(of which discontinued business)	*(0)*	*(0)*	*(0)*	*(0)*
Reclassifications	220	0	-159	62
(of which discontinued business)	*(52)*	*(0)*	*–(52)*	*(0)*
31.12.2018	41,239	13,288	235	54,762
(of which discontinued business)	*(16,016)*	*(8,533)*	*(188)*	*(24,736)*
Accumulated amortisation				
01.01.2018	27,457	5,264	133	32,854
(of which discontinued business)	*(6,963)*	*(1,832)*	*(51)*	*(8,845)*
Change in scope of consolidation	–158	186	0	28
(of which discontinued business)	*(0)*	*(0)*	*(0)*	*(0)*
Currency differences	11	0	–2	9
(of which discontinued business)	*–(18)*	*(0)*	*–(2)*	*–(19)*
Additions	4,536	4,166	0	8,702
(of which discontinued business)	*(2,508)*	*(3,316)*	*(0)*	*(5,824)*
Disposals	-98	-388	-82	-569
(of which discontinued business)	*(0)*	*(0)*	*(0)*	*(0)*
Reclassifications	49	0	1	50
(of which discontinued business)	*(49)*	*(0)*	*–(49)*	*(0)*
31.12.2018	31,797	9,229	50	41,074
(of which discontinued business)	*(9,502)*	*(5,147)*	*(0)*	*(14,650)*
Carrying amount				
31.12.2018	**9,443**	**4,059**	**185**	**13,687**
(of which discontinued business)	***(6,515)***	***(3,386)***	***(185)***	***(10,085)***
(of which continuing operations)	***(2,928)***	***(673)***	***(0)***	***(3,643)***

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

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.

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

kEUR	Land and buildings	Technical equip-ment and machinery	Other facilities, factory and office equipment	Assets under con-struction	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
Prepaiments recieved	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
Proportionaly 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
of which intersegment revenues	*204*	*313*
External revenues	**127,502**	**125,351**
Expenses	-170,348	-128,749
of which intersegment expenses	*-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**
of which attributable to minority interests	-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 messures

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	Consump-tion	Reversals	Reclassi-fication	Additions	Changes in scope of consolida-tion	31.12.2018
Non-current warranty provisions	1,416	136	78	206	150	0	1,145
(of which discon-tinued operations)	*(481)*	*(27)*	*(64)*	*(190)*	*(20)*	*(0)*	*(220)*
Non-current provi-sions for personnel costs	64	163	0	44	78	1,243	1,265
(of which discon-tinued operations)	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*
Other miscellane-ous non-current provisions	10	0	0	0	2,600	0	2,610
(of which discon-tinued operations)	*(10)*	*(0)*	*(0)*	*(0)*	*(2,600)*	*(0)*	*(2,610)*
Total other non-cur-rent provisions	**1,489**	**299**	**78**	**162**	**2,828**	**1,243**	**5,020**
(of which continuing operations)	*(998)*	*(272)*	*(14)*	*(28)*	*(208)*	*(1,243)*	*(2,191)*
(of which discon-tinued operations)	*(491)*	*(27)*	*(64)*	*(190)*	*(2,620)*	*(0)*	*(2,830)*
Warranty provisions	2,705	582	1,139	206	2,352	10	3,532
(of which discon-tinued operations)	*(5)*	*(0)*	*(0)*	*(190)*	*(171)*	*(0)*	*(367)*
Provisions for personnel costs	284	156	6	44	248	32	358
(of which discon-tinued operations)	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*
All other provisions	2,124	1,686	166	0	5,442	89	5,623
(of which discontin-ued operations)	*(208)*	*(166)*	*(0)*	*(0)*	*(978)*	*(0)*	*(1,020)*
Total other current provisions	**5,113**	**2,424**	**1,311**	**162**	**8,040**	**67**	**9,513**
(of which continuing operations)	*(4,900)*	*(2,258)*	*(1,311)*	*(28)*	*(6,891)*	*(67)*	*(8,127)*
(of which discon-tinued operations)	*(213)*	*(166)*	*(0)*	*(190)*	*(1,149)*	*(0)*	*(1,386)*

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 subsequent 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 re-structuring 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

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-Vinnum
- 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

MAX Automation SE, Düsseldorf, list of shareholders as at 31 December 2018

a) Companies included in the Consolidated Financial Statement

Name and headquater of the company		Share of capital (%)
Subsidiaries of MAX Automation SE:		
MAX Management GmbH	Düsseldorf	100
bdtronic GmbH	Weikersheim	100
IWM Automation GmbH	Porta Westfalica	100
MAX Automation (Asia Pacific) Co., Ltd.	Hong Kong	51
MAX Automation North America Inc.	Wilmington, Delaware, USA	100
NSM Magnettechnik GmbH	Olfen-Vinnum	100
Mess- und Regeltechnik Jücker GmbH	Dillingen	100
Vecoplan AG	Bad Marienberg	100
Subsidiaries and second-tier subsidiaries of MAX Management GmbH:		
AIM Micro Systems GmbH	Triptis	100
ELWEMA Automotive GmbH	Ellwangen	100
iNDAT Robotics GmbH	Ginsheim-Gustavsburg	100
IWM Automation Bodensee GmbH	Bermatingen	100
MA micro automation GmbH	St. Leon-Rot	100
MA micro automation Pte. Ltd.	Singapore	100
(Subsidiary of MA micro automation GmbH)		
Subsidiaries of bdtronic GmbH:		
bdtronic BVBA	Diepenbeek, Belgium	100
BARTEC Dispensing Technology Inc.	Tulsa, Oklahoma, USA	100
bdtronic Ltd.	Ashton-under-Lyne, UK	100
bdtronic S.r.l.	Monza, Italy	100
bdtronic Italy S.r.l.	Rieti, Italy	100
bdtronic Suzhou Co., Ltd.	Suzhou, China	100
Subsidiary of IWM Automation GmbH:		
IWM Automation Polska Sp.z o.o.	Chorzow, Poland	100
Subsidiary of MAX Automation (Asia Pacific) Co., Ltd.:		
MAX Automation (Shanghai) Co., Ltd.	Shanghai, China	100

Subsidiaries and second-tier subsidiaries of Vecoplan AG:		
Vecoplan Holding Corporation	Wilmington, Delaware, USA	100
Vecoplan LLC	Archdale, North Carolina, USA	100
(Subsidiary of Vecoplan Holding Corporation)		
Vecoplan Midwest LLC	Floyds Knobs, Indiana, USA	75
(Subsidiary of Vecoplan LLC)		
Vecoplan Limited	Birmingham, UK	100
Vecoplan Austria GmbH	Vienna, Austria	100
Vecoplan Polska Sp.z.o.o.	Warsaw, Poland	100
Vecoplan Iberica S.L.	Bilbao, Spain	100

b) Companies included in the Consolidated Financial Statement using the equity method

Name and headquater of the company		Share of capital (%)
Holdings of MAX Automation SE:		
ESSERT GmbH	Ubstadt-Weiher	44.5

„AUDIT CERTIFICATE OF THE INDEPENDENT AUDITOR OF THE FINANCIAL STATEMENTS

To MAX Automation SE, Düsseldorf

Audit opinions

We have audited the consolidated financial statements of MAX Automation SE, Düsseldorf, and its subsidiaries (the Group) - consisting of the consolidated balance sheet as of December 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2018 as well as the notes to the consolidated financial statements, including a summary of significant financial accounting methods.

We have also audited the Group management report combined with the separate management report (herinafter referred to as the "combined management report") of MAX Automation SE, Düsseldorf, for the financial year from January 1 to December 31, 2018. In accordance with German statutory regulations, we have not audited the content of the Group non-financial statement included in the combined management report. In accordance with German statutory regulations, we have not audited the content of the corporate gonvernce statement, to which reference is made in the combined management report.

Based on the findings gained from our audit, in our opinion

- the attached consolidated financial statement correspond in all significant matters to IFRS, as applicable in the EU, and the German statutory regulations to be addionally applied pursuant to Section 315e(1) of the German Commercial Code (HGB), and in compliance with such regulations convey a true and fair view of the Group's assets and financial position as of December 31, 2018 and
- the attached combined management report conveys overall a true and fair view of the Group's position. In all significant matters, this combined management report is consistent with the consolidated financial statements, complies with German statutory regulations, and appropriately presents the opportunities and risks pertaining the future development. Our audit opinion relating to the combined management report does not include all of the contents of the Group non-financial statement contained in the combined management report and the content of the corporate governance statement published on the company's website.

Pursuant to Section 322 (3) Clause 1 HGB, we declare that our audit has not led to any objections against the proper nature of the consolidated financial statements and combined management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and combined management report in accordance with Section 317 of the German Commercial Code (HGB) and Regulation (EU) 537/2014 relating to the statutory auditing of public-interest entities, in compliance with German proper accounting principles as determined by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and principles is described in more detail in the is section Auditor's responsibility for the audit of the consolidated financial Statements and combined management report" of our audit certificate. In compliance with European statutory as well as German commercial law and professional regulations, we are independent of the Group companies, and fulfilled our other German professional obligations in accordance with such

requirements. Moreover, pursuant to Article 10 (2) lit. f) Regulation (EU) 537/2014, we declare that we have not rendered any prohibited non-auditing services pursuant to Article 5 (1) Regulation (EU) 537/2014. We are of the opinion that the audit evidence we have obtained is sufficient and appropriate to serve as the basis for our audit opinions on the consolidated financial statements and combined management report.

Particularly important audit matters in the audit of the consolidated financial statements

Particularly important audit matters are such matters which, in our professional judgment, proved most impor- tant in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2017. These matters were taken into account in connection with our audit of the consolidated financial state- ments as a whole and in the formation of our audit opinion; we do not issue a separate audit opinion relating to such matters.

Below we present the audit matters that proved particularly important from our perspective:

- 1) Disclosure and measurement in accordance with IFRS 5 "Discontinued Operations"
- 2) Application of the percentage of completion method for revenue recognition to long-term contract manu-facturing
- Zu 1) Disclosure and measurement in accordance with IFRS 5 "Discontinued Operations"
- a) The risk for the financial statements

At the end of September 2018, the Board of Directors of MAX Automation SE made the strategic decision to withdraw from the construction of special purpose machines/assembly lines for automotive customers and initiated a disposal process to be completed in the course of 2019. The goal of this measure is to improve the Group's profitability and risk profile.

For this reason ELWEMA GmbH, the companies of the IWM Group and MAX Automation (Shanghai) were classified as held for sale and discontinued operations (IFRS 5) as of September 30, 2019.

The discontinued operation generated revenues of EUR 127.5 million in financial year 2018, while the continuing operations reported revenues of EUR 277.4 million in financial year 2018. With total assets of EUR 364.3 million at MAX Automation SE as of December 31, 2018, assets of EUR 134.7 million and liabilities of EUR 81.0 million were attributable to the discontinuing operations.

The company's information on the disclosure and valuation of the discontinued operation is included in the notes to the consolidated financial statements.

In our opinion, this matter was of particular importance to our audit due to its complexity and the material effects on the Group.

b) Audit approach and conclusions

We have satisfied ourselves that the conditions for classification as an activity held for sale for the Special Purpose Machinery/Assembly Lines for Automotive Customers business segment were met at the time of the initial reclassification or at the balance sheet date. To this end, we conducted surveys of the executive directors and reviewed the minutes of the Board of Directors.

In addition, by inspecting the accounting records, we have verified that only those assets and liabilities that are the subject of the sale process are part of the discontinued operation. Based on our audit, we have assessed whether the balance sheet and statement of comprehensive income items have been appropriately reclassified to assets held for sale, liabilities held for sale and discontinued operations. In addition, we have assessed the accounting treatment used in the consolidated statement of cash flows to be accurate.

We have satisfied ourselves that before the assets in the division held for sale were recognized, they were initially measured in accordance with the relevant IFRSs.

Our audit procedures in this regard primarily included an inspection of presentations by various M&A experts on the potential purchase price determination of the companies held for sale. We have assessed the assessment of the M&A experts and their impact on the need for impairment.

The valuation assumptions and parameters applied by the legal representatives are in line with our expectations and are fundamentally suitable for an appropriate presentation and valuation of the discontinued operations, taking into account the available information from our point of view.

Zu 2) Application of the percentage of completion method for revenue recognition to long-term contract manufacturing

a) The risk for the financial statements

The company applies the percentage of completion method (PoC method) pursuant to IAS 11 to large-scale contracts exceeding a given order volume as stipulated in the Group financial accounting guidelines.

Application of the PoC method generates a positive equity effect of about EUR 19,0 million as of the reporting date. The statement of comprehensive income for continuing operations had a positive effect of approximately EUR 10.0 million.

The company's disclosures relating to the application of the percentage of completion method are contained in sections 2.1 and 4.1 (9) of the notes to the consolidated financial statements.

The company's disclosures relating to the application of the percentage of completion method are contained in the notes to the consolidated financial statements.

The degree of completion is calculated by applying the cost-to-cost method. Especially the calculation of the respective degrees of completion requires estimates and judgments to a significant extent, some of which are based on constantly updated planning. For this reason, the application of the percentage of completion meth- od is considerably subject to the influence of estimated figures. For potentially loss-making projects, anticipat- ed cost overruns are to be estimated and recognized as pending losses. Given this, we were of the view that these matters were of particular importance for our audit.

b) Audit approach and conclusions

In a first step, we examined whether the conditions for the period-based method of revenue recognition in accordance with IFRS 15 were met. In the following, we have assessed the accumulation of manufacturing costs as part of a process appraisal based on the internal control system, including functional tests.

The assessment of the reliability of the calculation of budgeted manufacturing costs and the related degree of completion was performed by auditing the processing of PoC contracts as of December 31, 2017 based on random sampling in the new 2018 financial year. This approach focused especially on the realization of the mar- gins estimated on December 31, 2017 based on the cost-to-cost method. The reliability of the intrayear PoC valuation was also assessed through time series analyses. The contract sums to be additionally included in the PoC methodology were tested with the underlying customer contracts by way of random sampling.

The estimates and judgments underlying the PoC valuation are balanced overall. This enabled an objective recognition of revenue and of changes in inventories.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the Group's non-financial statement included in section 6 of the combined management report,
- the corporate governance statement published on the company's website,
- the remaining sections of the annual report, apart from the audited consolidated financial statements and combined management report, as well as our audit certificate,
- the corporate governance report pursuant to section 3.10 of the German Corporate Governance Code, and the assurance pursuant to Section 297 (2) Clause 4 HGB relating to the consolidated financial statements and the assurance pursuant to Section 315 (1) Clause 5 HGB relating to the the combined management report.

- Our audit opinions relating to the consolidated financial statements and the combined management report did not include the other information, and accordingly we issue neither an audit opinion nor any other type of audit conclusion in this relation.
- In connection with our audit of the consolidated financial statements, we are responsible for reading the other information and appraising in this context whether the other information
- exhibits significant inconsistencies in relation to the consolidated financial statements, the combined management report or the information we gained as part of our audit, or
- appears to be presented significantly erroneously in another manner.

Responsibility of the legal representatives and Administrative Board for the consolidated financial statements and combined management report

The legal representatives are responsible for the preparation of the consolidated financial statements, corre- sponding in all important matters to IFRS, as applicable in the EU, and the supplementary German statutory regulations to be additionally applied pursuant to Section 315e (1) HGB, and for ensuring that the consolidated financial statements convey a true and fair view of the Group's financial position and performance in compli- ance with such regulations. Moreover, the legal representatives are responsible for the internal controls they deem necessary to enable the preparation of consolidated financial statements free of significant - intended or unintended - erroneous presentations.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group as a going concern. Furthermore, they are responsible for disclosing matters connected with the Group as a going concern, where relevant. In addition, they are responsible for preparing accounts based on the financial accounting going concern principle, unless the Group intends to liquidate, or to discontinue its busi- ness operations, or no realistic alternative exists in such a case.

Moreover, the legal representatives are responsible for the preparation of the combined management report, which overall conveys a true and fair view of the Group position and is consistent in all important aspects with the consolidated financial statements, complies with German statutory regulations, and appropriately presents the opportunities and risks entailed in future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) they deem necessary to enable the preparation of a combined management report in compliance with applicable German statutory regulations, and to provide sufficient appropriate evidence for the statements made in the combined management report.

The Administrative Board is responsible for the supervision of the Group's financial accounting process relating to the preparation of the consolidated financial statements and combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and combined management report

Our aim is to achieve sufficient certainty as to whether the consolidated financial statements, as a whole, are free of significant - intended or unintended - erroneous presentations, and whether the combined man- agement report conveys overall a true and fair view of the Group's position, and is consistent in all important aspects with the consolidated financial statements as well as the knowledge gained as part of our audit, com- plies with German statutory regulations, and appropriately present the opportunities and risks pertaining to the future development, as well as to issue an audit certificate that includes our audit opinions relating to the consolidated financial statements and combined management report.

Sufficient certainty refers to a high degree of certainty but is not a guarantee that an audit conducted in com- pliance with Section 317 of the German Commercial Code (HGB) and Regulation (EU) 537/2014, in compliance with German proper auditing principles as promulgated by the Institute of Public Auditors in Germany (IDW), will always uncover a significantly erroneous presentation. Erroneous presentations can derive from offenses or errors, and are regarded as significant if it could have been reasonably expected that, individually or togeth- er, they affect the economic decisions of addressees based on these consolidated financial statements and this combined management report.

During the audit, we exercise discretion and maintain a basically critical stance.

Above and beyond this,

- we identify and assess the risks of significant — intended or unintended — erroneous presentations in the con- solidated financial statements and in the combined management report, plan and execute audit actions as a response to such risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinions. The risk that significant erroneous presentations are not uncovered is greater in the case of offenses than in the case of errors, as offenses can comprise fraudulent collaboration, forgeries, intended incompleteness, misleading presentations and the disabling of internal controls;

- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant for the audit of the combined management report, in order to plan related audit actions that are appropriate in the given circumstances, although not with the aim of issuing an audit opinion on the efficacy of such systems;

- we assess the appropriateness of the financial accounting methods applied by the legal representatives as well as the feasibility of the estimated figures and related disclosures presented by the legal representatives;

- we draw conclusions about the appropriateness of the financial accounting going concern principle applied by the legal representatives, and, based on the audit evidence obtained, whether a significant uncertainty exists in connection with events or circumstances that can lead to considerable doubts about the Group as a going concern. If we arrive at the conclusion that a considerable uncertainty exists, we are obligated to draw attention in the audit certificate to the related disclosures in the notes to the consolidated financial statements and in the combined management report, or if such disclosures are unsuitable, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained until the date of our audit opinion. Future events or circumstances can nevertheless lead the Group to no longer comprise a going concern;

- we assess the overall presentation, the structure and content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying business transactions and events so that the consolidated financial statements convey a true and fair view of the Group's financial position and performance in compliance with IFRS, as applicable in the EU, and the German statutory regulations to be additionally applied pursuant to Section 315e (1) HGB;
- we obtain sufficient appropriate audit evidence for the financial accounting information of the companies or operating activities within the Group, in order to issue audit opinions relating to the consolidated financial statements and combined management report. We are responsible for the direction, supervision and imple- mentation of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;
- we evaluate the consistency of the combined management report with the consolidated financial statements, its legal conformity, and the view it conveys of the Group's position; and
- we conduct audit actions in relation to the forward-looking disclosures in the combined management report presented by the legal representatives. Based on sufficient appropriate audit evidence, we especially inves- tigate the significant assumptions taken as the basis for the forward-looking disclosures by the legal representatives, and appraise the objective derivation of the forward-looking disclosures from such assumptions. We do not issue a separate audit opinion relating to the forward-looking disclosures and the underlying assumptions. A considerable unavoidable risk exists that future events may differ significantly from the forward-looking disclosures.

Topics we discuss with those individuals responsible for supervision include the planned scope and time plan- ning of the audit as well as significant audit findings, including any defects in the internal control system we identify during our audit.

We issue a statement to those individuals responsible for supervision that we have obtained the relevant impartiality requirements, and discuss with them all relationships and other matters where it can be reasona- bly assumed that they affect our impartiality, and the related protective measures.

From the matters we discuss with the individuals responsible for supervision we determine those matters that proved most significant for the current reporting period in the audit of the consolidated financial statements, and consequently that comprise particularly important audit matters. We describe such matters in the audit opinion, unless laws or other legal regulations prohibit public disclosure of the related matter.

Other statutory and legal requirements

Miscellaneous disclosures pursuant to Article 10 Regulation (EU) 537/2014

We were elected as the auditor of the consolidated financial statements by the Shareholders' General Meeting on May 18, 2018. The Board of Directors issued its mandate to us on June 28, 2018. We have been the auditor of the consolidated financial statements of MAX Automation SE, Düsseldorf, without interruption since the 2004 financial year.

GROUP AUDIT CERTIFICATE

We declare that the audit opinions contained in this audit certificate are consistent with the additional report to the Administrative Board pursuant to Article 11 Regulation (EU) 537/2014.

Certified Public Auditor Mr. Steffen Fleitmann is the Certified Public Auditor responsible for the auditW

Certified Public Auditor

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Hannover, March 1, 2019

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Hans-Peter Möller
Wirtschaftsprüfer

Steffen Fleitmann
Wirtschaftsprüfer

Assurance of the legal representatives

To the best of our knowledge, we assure that, pursuant to applicable accounting principles, the consolidated financial statements convey a true and fair view of the Group's financial position and performance, that the course of business, including the business results and the Group's position, are presented in the Group man- agement report that is combined with the management report for MAX Automation SE so as to convey a true and fair view, and that the significant opportunities and risks pertaining to the Group's prospective development are described.

Düsseldorf, February 28, 2019

MAX Automation SE

The Executive Directors

Daniel Fink Andreas Krause