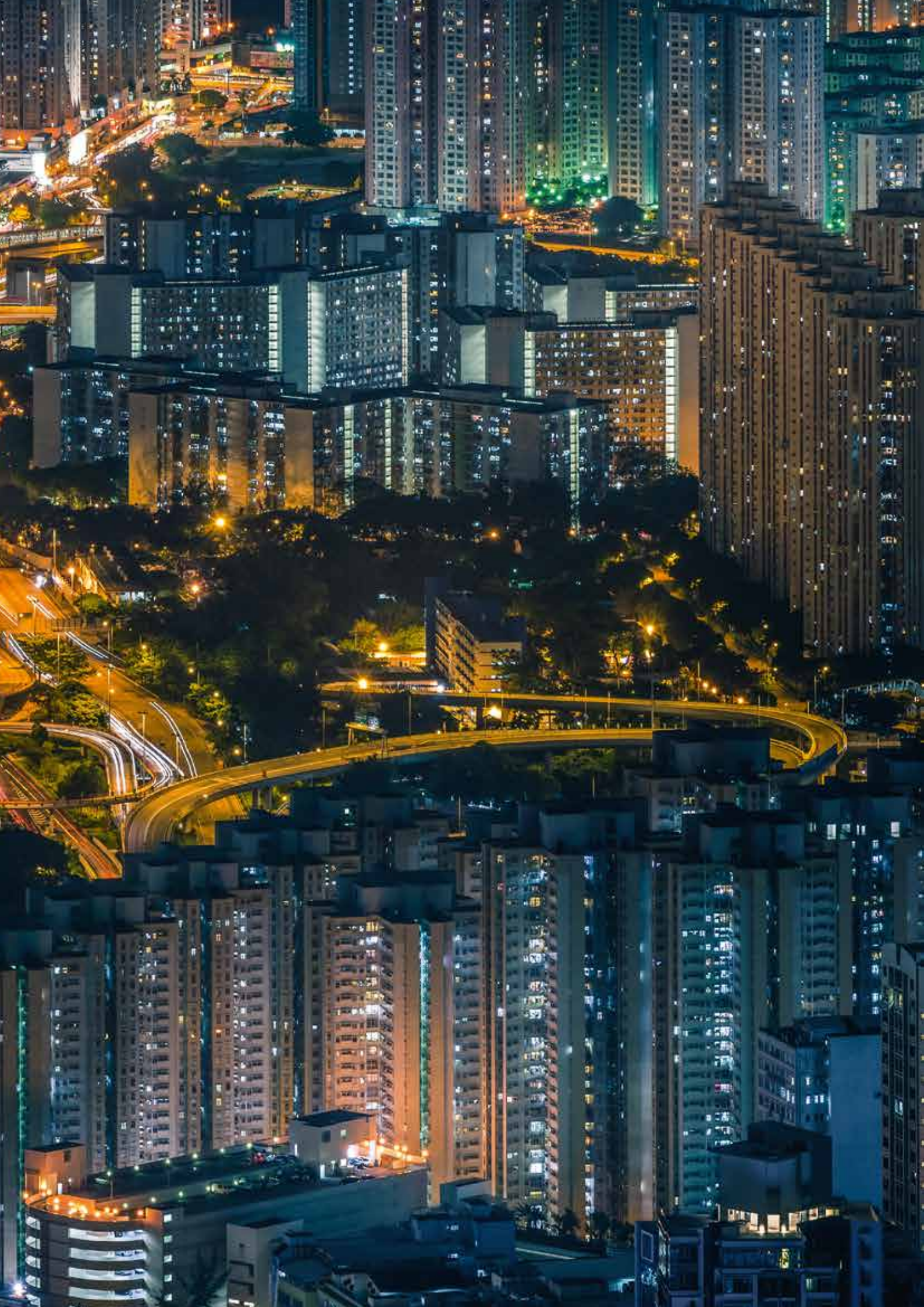
2017

ANNUAL REPORT

NEW HORIZONS

mx automation



KEY GROUP FIGURES IN OVERVIEW

	2017	2016	2015
Results of operations in EUR mill.			
New order intake	383.6	395.7	363.7
Book-to-bill ratio	1.0	1.2	1.0
Order book position at year-end*	198.6	193.8	135.2
Revenue	376.2	337.1	384.0
– of which from Germany	120.5	102.3	147.2
– of which from abroad	255.7	234.8	236.8
EBITDA	28.9	24.4	32.3
EBIT before PPA amortization	22.2	17.4	24.8
as % of total operating revenue	5.8	5.1	6.5
Net income for the year	14.1	8.3	10.6
Earnings per share (in EUR)	0.50	0.30	0.38
Cash flow in EUR mill.			
Cash flow from operating activities	18.7	–15.9	34.2
Cash flow from investing activities	–6.5	–9.0	–15.8
– of which investments	–7.8	–8.8	–11.5
Cash flow from financing activities	–8.4	26.4	–49.8
Cash and cash equivalents at year-end	26.2	23.0	21.4
Balance sheet in EUR mill.			
Total assets	323.3	306.3	283.2
Net debt	–47.1	–69.9	–39.7
Equity	139.0	111.3	106.9
Equity ratio in %	43.0	36.3	37.7
Employees (numbers)			
Average number of employees	1,700	1,677	1,705
– of which trainees	125	128	144
Employees (headcount)	1,796	1,751	1,711
Share			
Number of shares (in millions)	29.5	26.8	26.8
Market capitalization	239.8	154.1	154.1
Dividend per share (in EUR)	0.15	0.15	0.15
Price on balance sheet date in EUR (XETRA closing price)	8.14	5.75	5.75

* Adjusted for IFRS effects

Industrial Automation – innovation driver in networked, integrated production

Today, industrial production means networked, integrated production. Machines, plants and robotic solutions not only work as rapidly and accurately as possible – they also work together. This is the only way to ensure maximum flexibility and internationally uniform quality levels. And this enables manufacturers to serve their customers' demands on worldwide markets for ever better performing products and increasingly individual solutions.

MAX Automation and its Group companies in the industrial production segment develop and produce high-tech solutions to meet their customers' requirements – and on an international scale. They thereby achieve sustainable optimizations in manufacturing processes and help shape technological development in production. Here, MAX Automation focuses on the strategic growth areas of Mobility Automation, Life Science, Process Technology and New Automation Technology.

	2017 EUR mill.	2016 EUR mill.	2015 EUR mill.
New order intake	290.7	300.7	236.3
Segment revenue	286.4	239.8	252.2
Segment EBIT before PPA amortization	19.8	16.8	26.4
Average number of employees excluding trainees	1,194	1,131	1,046

Environmental Technology – long-term potential in sustainability

Sustainability is more than just a catchword. Given the many technological, economic and social challenges – as presented by the world's growing population and the resulting rising demands for energy as well as increasing waste volumes – sustainability describes the need to handle finite raw materials responsibly and efficiently. Both policy regulations and social awareness aim at sustainable solutions offering ever better performance.

With its Vecoplan subsidiary, MAX Automation commands a strong and established market position in the Environmental Technology segment. Drawing on its extensive, in-depth environmental technology expertise, the company develops innovative components and systems to shred, sort and process waste materials. International recycling sector customers benefit from sustainable solutions to utilize primary and secondary raw materials that are fed back into the economic cycle and reutilized in various industrial areas.

	2017 EUR mill.	2016 EUR mill.	2015 EUR mill.
New order intake	92.9	95.0	127.4
Segment revenue	89.4	97.4	132.2
Segment EBIT before PPA amortization	6.5	1.8	1.5
Average number of employees excluding trainees	374	412	510

Automation is synonymous with high-tech. Automated industrial production is based on powerful machines and systems — and to a growing extent on the networking of individual units. This enables manufacturers to boost the precision and flexibility of their production processes and save time and money. Against this background, the significance of intelligent software solutions and robotics is steadily growing.

MAX Automation SE offers high-tech solutions for modern automation. Together with its Group companies, it commands technologically leading expertise and comprehensive competencies and skills in constructing systems and machines as well as in developing software. The Group harnesses this know-how to offer its customers innovative solutions enabling them to gain a clear competitive edge in markets around the world.

MAX Automation serves long-term, global growth drivers in various markets. In the automotive sector, these include the trends toward electromobility, self-driving cars and reducing CO_2, or in medical engineering, they comprise demographic movements and rising health consciousness among the population. In the environmental and recycling areas, MAX Automation is benefiting from ever stricter political regulation and the demands of society. In the process, the company is continuously internationalizing its business.

MAX Automation's operating business is divided into the Group segments of Industrial Automation and Environmental Technology. The Group companies in the Industrial Automation area act as partners to key sectors such as the automotive industry, medical technology and the electronics industry. In the Environmental Technology area, sustainable and technologically complex solutions are designed and realized for the recycling, energy and raw materials industries.

The MAX Automation SE stock is listed in the Frankfurt Stock Exchange's Prime Standard segment. The company pursues the objective of positioning itself on the capital market as a profitable growth and technology stock, and of sustainably growing the company's value for its shareholders. The legal form of a European Stock Corporation reflects the company's international outlook and its open corporate culture.

www.maxautomation.com

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INDUSTRIAL AUTOMATION ENVIRONMENTAL TECHNOLOGY

"OUR GROWTH STRATEGY 2021 IS PROVING EFFECTIVE."

The Executive Directors of MAX Automation SE, Daniel Fink (CEO) and Fabian Spilker (CFO), on the strategic progress made in the 2017 financial year, new horizons in the USA and China as well as the business prospects for the high-tech mechanical engineering Group.

Mr Fink, at the beginning of last year, you predicted positive growth for the business in 2017. Did it materialize?

Fink: That's an easy question to answer. Our expectations were met and even surpassed in some areas. MAX Automation enjoyed successful growth in the past financial year. Naturally, that's reflected first and foremost in the figures. Group sales rose by almost 12 % to EUR 376 million. Operating earnings before amortization relating to purchase price allocations showed disproportionally high growth, increasing by more than a quarter to over EUR 22 million. This means sales and earnings were directly in line with our forecast. But to cap it all, we set a new record for orders. We see these results as confirmation of the high-tech expertise of our subsidiaries and also as an excellent platform for the current year.

What were the main reasons for these good developments?

Spilker: On the one hand, there's the major contribution made by the Industrial Automation segment. Our Group companies are operating in markets shaped by several sustainable growth drivers. For example, they benefit from long-term trends in car production such as electromobility, driverless cars and the reduction of CO_2 emissions in modern combustion engines. However, we are also growing very successfully in medical engineering. The factors of particular significance here are general demographic trends and the increasing health consciousness of people in general — not only in industrial nations but also in emerging economies. But the extraordinary progress we have made in the Environmental Technology segment is equally important. The measures which were still having a negative effect on the figures in 2016 have now led to an impressive contribution to earnings.

How do you assess these developments against the background of your "Strategy 2021"?

Fink: It shows that our growth strategy is proving effective. We are focusing on clearly defined target sectors for industrial production which are marked by long-term growth. We tackle them through our strategic divisions, Mobility Automation, Life Science, Process Technology, New Automation Technology and Environmental Technology. This is where our expertise in mechanical engineering but also in networked production, robotics and software development is fully bearing fruit. I can cite you numerous examples. Whether you look at the efficient impregnation of electric motors, energy-saving steam cleaning for engine and gearbox production, precise production systems for contact lenses, the use of novel collaborative industrial robots or the construction of a plant for processing replacement fuels — our subsidiaries are technology leaders in their markets. They are developing innovative solutions with which their customers are able to gain a competitive edge. And in this way, they are able to win new customers and obtain large-scale, ambitious orders.

Executive Director (CEO) Daniel Fink

Executive Director (CFO) Fabian Spilker

The Group companies of MAX Automation are medium-sized German companies. Will they be able to hold their own amid global competition in the long run?

Fink: If they retain their technological lead, work systematically on their productivity and make active use of the advantages of the large MAX network, I have no doubt that they can. Greater internationalization as a result of organic growth and also through acquisitions is after all the next major pillar of our strategy. New markets are opening up new horizons for further growth. These markets offer opportunities to win new customers and new projects. At the same time, we can participate in important technological innovations for industrial production. That's why our goal is to establish a presence in attractive foreign markets with our own organizations. By doing so, we will be able to support our customers in their own international expansion and handle projects with a uniformly high level of quality through local value chains.

And what does that mean in concrete terms?

Fink: Let's take the USA as an example: We set up MAX Automation North America in 2017. It acts as a business hub, in other words as an operating platform for our Group companies and their activities on the North American continent. The company is based in Atlanta in the State of Georgia and is thus close to some important customers. Our Group companies therefore have an ideal platform to pool their capacities in the USA, guarantee service, commissioning and assembly and expand their sales. As a result, we are not only giving them additional power in their international business, but also realizing important synergies within the Group.

However, the USA is not the only important market. What ambitions does MAX have in China?

Fink: China is of significant importance to us. The country now represents the largest automotive market and a driver for technological innovations such as electromobility. Vehicle manufacturers and their suppliers usually produce locally and have therefore also invested in local capacity in China. That's why it was a logical step for us to also establish a local presence with our own unit. This is the only way for us to draw on all the necessary capacity to give our globally active customers in the automotive industry comprehensive support. Not least, our presence in China allows us to benefit from numerous competitive advantages whether in terms of costs or time as there is no further need for transport or travel, and bureaucratic hurdles with imports, for example, also no longer apply.

How did you gain a foothold in China?

Fink: Setting up our own organization "from scratch" would have taken too long for us. A project like that is unbelievably challenging, especially in the engineering environment, and it takes a lot of patience. So we opted to invest in a Chinese company to enable us to quickly establish our own local organization. To this end, we checked around 200 potential target companies in a painstaking M&A process. At the end of this process, it was clear that Shanghai Cisens Automation was the ideal partner for our expansion in China. Cisens has facilities in the most important production locations in the country as well as offering excellent access to Chinese suppliers to the automotive industry. Since the end of February 2018, we have had a majority holding in the company's activities with the option of acquiring all remaining shares in the coming years. We are convinced that the collaboration will open up new prospects for MAX Automation.

But all these activities relate to Industrial Automation. Growth in the Environmental Technology segment seems very modest by comparison.

Spilker: It is correct that the course of this segment's business has not met our expectations in the last few years. We therefore improved the cost structure of the Vecoplan Group in 2016 and 2017 and streamlined the product range. With success. Environmental Technology is now operating significantly more profitably and can respond to the typical volatility in its markets faster and with greater precision. This is reflected not least in the segment's contribution to earnings, which grew strongly in 2017.

In 2017, you decided to invest in the Environmental Technology segment, if necessary with partners, in order to expand it further. What were the reasons for this decision?

Fink: Last year, we conducted a comprehensive, in-depth market analysis for the segment in order to gauge the future prospects for Environmental Technology. And we came to the clear conclusion that the segment has further potential to increase in value. Vecoplan Group has already been internationally well-established for a long time and it can boast an impressive track record. Vecoplan is no minor player in this very fragmented market. We see an opportunity, therefore, to further enhance the segment's position in the market through a strategic partnership. To this end, we are already involved in the details of checking suitable collaborations. It must also be borne in mind that the market drivers in environmental technology have remained the same, i.e. growing awareness of the environment in society and politics as well as tighter regulatory specifications

for environmental protection. In the USA, there is still a considerable need for investment, e.g. at a local government level. And in Asia, there is also a rapidly rising requirement for efficient treatment of residual waste in the fast-growing major cities.

MAX Automation's good prospects seem to be filtering through to the share price...

Spilker: Let's just say we're heading in the right direction. MAX Automation's share price appreciated by almost 42 % last year and was thus an attractive stock for investors. This trend has basically continued into the first few months of the current year. This suggests that the financial markets have taken notice of the potential of our medium-term "Strategy 2021" and that they approve of it. We see this as confirmation that MAX Automation as a high-tech stock represents a highly attractive investment. We have always enabled our shareholders to share appropriately in the growth of the business, and we will therefore suggest to this year's Shareholders' General Meeting that the dividend be maintained at 15 euro cents. This would mean distributing EUR 4.4 million — one third of the consolidated net income for the year.

What expectations do you have of the conversion of MAX Automation to a European stock corporation completed at the beginning of 2018.

Fink: When we talk of new horizons, we must follow through and reflect this in our company, too. The new legal form of the European stock corporation, i.e. the SE, documents an open, international corporate culture. And at the same time, it helps us to become even more visible for international investors. Internationalization will remain a major strategic assignment for MAX Automation for the foreseeable future. We made good progress in 2017, but we are only halfway down the road.


旦復
NEW

VALUES

New markets offer opportunities for new growth — and with it for a significant increase in value. MAX Automation and its Group companies are purposefully driving their international expansion in attractive growth markets and thereby systematically pursuing their "Strategy 2021". For example, the Group is able to support its customers not only in Europe but also at a local level in Asian markets and on the North American continent. And it is giving itself the opportunity to benefit from important growth drivers in these markets.

MOBILITY


AUTOMATION

High-tech expertise in China

Daniel Fink, CEO of MAX Automation SE, on China as a target market and the Chinese mechanical engineering company MAX Automation (Shanghai) Co., Ltd. as a new subsidiary.

Mr Fink, we normally find Chinese investors touring Germany looking for acquisitions. You're doing things the other way round. What is the reason for this?
China is by far the most important automotive market ahead of North America and Europe. The latest figures show that more vehicles were sold there than in the major markets of USA, Japan and Brazil put together. At the same time, the country occupies a leading position in the sale of electric vehicles — an area where we also possess great expertise. In this respect, China is the logical next step in our process of internationalization.

What specific opportunities are open to you in the Chinese market?
First of all, the same global players are operating in China as in the rest of the world. These are our customers, too. And they are increasingly demanding from us that we supply systems and machines on three continents with consistent quality — but at the same prices as local suppliers are also offering. Added to this, there are also Chinese automotive manufacturers and suppliers with whom we have only had limited contact in the past.

So you are gaining access to the market through MAX Automation (Shanghai) Co., Ltd.?
We have been operating in China for some time through our Group companies. We supply manufacturers and their suppliers in the country. But the projects were mostly handled from Germany. With our new subsidiary MAX Automation (Shanghai) Co., Ltd., we now have our own local capacity from sales through engineering to commissioning and service. We have a presence in four very relevant locations for the automotive industry, namely Shanghai, Wuhan, Chongching and Changchun.

To what extent was the new MAX Automation (Shanghai) Co., Ltd. the right candidate for MAX Automation?
We looked at a series of takeover candidates. Of 200 potential target companies, we selected 30 for on-site discussions. At the end of the process, we opted for this one as our new subsidiary in Shanghai. The company's product range offers many technological points of contact with our own Group companies. We were also attracted to the corporate culture. In addition, the fact that the previous owner was 100 % behind our strategy and wishes to help with implementing it, also carried a lot of weight.

Can you venture a forecast – What will happen next?
The first specific joint projects with international customers are already at the bidding stage and ready to be awarded. In the process, we will expand collaboration with our German companies step by step. We intend to gradually increase our shareholding in MAX Automation (Shanghai) Co., Ltd. from its current level of 51 % to 100 %. Our objectives are clear. We intend to further increase our presence in the country and increase our sales share of the business in China from the current figure of 10 % with lasting effect.

LIFE SCIENCE


AUTOMATION

New opportunities in Singapore

It's a clear strategic decision — and an equally clear signal to customers. MA micro automation GmbH opened a subsidiary in Singapore in 2017, in one of the most important growth markets for medical engineering. The MAX Group company is supporting a customer there in the production of contact lenses. "Our customer saw it as a clear benefit that we went to Southeast Asia on its behalf, enabling us to offer optimum service at a local level through our new office," says Managing Director Joachim Hardt.
MA micro automation has already been working with the customer for a long time. For example, it develops and manufactures production systems and optical testing equipment for contact lenses. Previously, the company was working for the customer from Germany, namely its head office in St. Leon-Rot in Baden-Württemberg. "We now have a presence in the Southeast Asian area and we are able to offer engineering, sales and services with much shorter service cycles at a local level," Joachim Hardt explains. "In addition, we can procure components and spare parts directly from best-cost countries."

High order intake thanks to new presence

In terms of its presence in a dynamically growing market, MA micro automation is deliberately backing local employees. The reason is obvious as the specialists know the region and local circumstances. Entering Southeast Asia has already borne first fruits. As of the end of 2017, the company had received a significant volume of local orders. And what's more, the fact that collaboration with the customer in Singapore has been working very well to date, gives MA micro automation excellent prospects for

inspection equipment and assembly systems for optical components in neighboring countries such as Malaysia. But the new subsidiary is opening up even further opportunities. "Our plan is to look after southern China, Vietnam, Taiwan and the Philippines from Singapore — in other words, all the countries in which we are already working with customers," as Joachim Hardt states. "And as a result of our presence, we will also become significantly more attractive for other potential customers."

Synergies in the MAX Automation Group

The facility in Singapore is MA micro automation's first subsidiary of its own abroad. However, it is already drawing on the capacity of MAX Automation in its international activities. For example, this includes MAX Automation North America Inc. which was set up in 2017 and which acts as an operating platform on the North American continent for several companies in the Group. "And we are planning to expand further in China with MAX Automation," Joachim Hardt explains.

PROCESS

TECHNOLOGY

Engineering in Germany – implementation worldwide

Patrick Vandenrhijn, Managing Director of the MAX subsidiary bdtronic GmbH, on the international positioning of the company and the opportunities it gives rise to.

Mr Vandenrhijn, what is the international footprint of bdtronic like today?
Our footprint is pretty large these days. We started in 2002 with our first offices abroad and today we have a presence in six countries on four continents. This includes facilities in the USA and China as well as Mexico, Belgium, Italy and the UK. With this structure, we operate as the world's leading manufacturer of systems and solutions in the fields of dispensing and impregnation technology, heat staking and plasma pre-treatment.

What advantages do you gain from your worldwide network of facilities?
To put it in a nutshell: wherever our customers are, that's where you'll find us, too. Whether it's the automotive industry, electrical engineering or medical technology — our customers are global players. Through our facilities, the short distances on the ground are helping us to win projects. Project planning and the engineering are then conducted at our head office in Weikersheim. The technical implementation and the service can then be provided again locally in the relevant countries.

Do you see the internationalization of bdtronic as a growth driver?
Definitely. bdtronic has enjoyed strong growth in the last few years. In the years from 2012 to 2017 alone, we doubled our sales, production space and even the number of our employees. Today, we employ around 330 staff around the world from a wide variety of countries — and as a consequence, you will not only hear German spoken in Weikersheim but also English, Italian or even Mandarin.

What market share does international business enjoy today?
The international business is of major significance for bdtronic in keeping with its international orientation. We now generate far more than 70 % of our sales via exports. We operate principally in the regions of China, USA and Mexico. Our target sectors comprise predominantly electromobility as well as driverless cars — industries, in other words, that are characterized by long-term trends.

And what does the future hold?
We are very clearly set fair for growth. This also means that we will pursue the path of internationalization. We recently took over the Italian mechanical engineering company R.C.M. Reatinia Costruzione Mecchaniche S.r.l. The company with its head office in Rieti near Rome had already been a reliable supplier for bdtronic for many years. Now we have direct access to the expertise and capacity of our new subsidiary which in future will go by the name of bdtronic Italia S.r.l. Overall, we are one of the fastest-growing companies in the MAX Automation Group.


NEW AUTOMATION

TECHNOLOGY

Pilot project in France: The robot as a colleague

The new colleague is fast and efficient — and at the same time always keeps an eye on the quality of his work. He stands directly on the assembly line and fits O-rings, i.e. circular seals, to the housings of steering columns with great precision in vehicle manufacture. He then puts them in a machine for further processing. The peculiar thing about it is that the new colleague is a cobot, a collaborative industrial robot who performs complex tasks with two arms and works directly with other members of staff to support and enhance their efforts.

The MAX Group company ESSERT GmbH has the robot on the job at a French plant belonging to its customer Thyssenkrupp Presta. This work with the customer represents the first foreign project for the company which specializes in Industry 4.0 applications and thus in networked production. "In many companies, even in Europe, production still consists of individual, manual steps," says Christopher Essert, Managing Director of the company that goes by the same name. "So there's great potential there for the optimization our technologies provide."

Clear efficiency gains in vehicle production

Manual production means that the O-rings were previously fitted manually by an employee at a separate workplace. The components were then brought to the production line where they were put in a machine by yet another employee. "Our concept shifts this process directly to the production line," Essert explains. "And the cobot not only enables us

to control the handling. We also guarantee uniformly high quality and enhance value creation."

ESSERT acts as the general supplier for the project. The company from Ubstadt-Weiher in Baden-Württemberg supports its customers from the evaluation of the project, development of the software to the assembly and commissioning of the robot. And in the process, ESSERT is specifically implementing the decision to take the project abroad. "Our customers require more than just concepts and secure processes. Increasingly, they want a partner who can also support them around the world," Essert says. "Because having many partners in different countries means high individual costs in the development of new technologies."

Use of the robot in France represents a pilot project. A further project in a plant in Magdeburg will follow in the course of the year. The next step will then be worldwide deployment in the plants of Thyssenkrupp Presta. "We are ready to join our customer on this route," Christopher Essert says. And in the process, we can exploit synergies in the MAX Group, for example through foreign facilities when commissioning our robots locally." But Essert is already thinking ahead: he is already pursuing a project with cobots in Singapore, where the company's digital solutions will even enjoy state funding.

ENVIRONMENTAL

TECHNOLOGY

Solutions for a clean environment

Cement is the most widely used building material in the world. Manufacturers, however, are faced with strict environmental regulations in this CO_2-intensive sector. The spotlight has even turned to regulations in China — evidenced by the introduction of a new law on environmental protection. Vecoplan AG, a Group company of MAX Automation, supplies solutions for reducing greenhouse gas emissions. But that's not all. Vecoplan also develops mechanical components for treating material for the growing need for biomass thermal power plants in the country.

Around the world, major infrastructure projects are demanding ever greater volumes of building materials. Global cement production has almost quadrupled since 1990. Around 4.17 billion tons were produced worldwide in 2016. This growth is mainly due to developments in the Asian markets — particularly in China. After all, the country is undergoing the fastest-paced urbanization in history. In the coming decades, more than 400 million people are to move from the countryside into towns, most of which still have to be built. In 2014, China alone produced more than all the other countries of the world put together. "However, large volumes of carbon dioxide (CO_2) are released during production," says Werner Berens, CEO of Vecoplan AG. "Most of the negative effects of CO_2 on the environment could be reduced by using alternative fuels." Instead of coal and gas, waste products such as plastics, paper or textiles can be used as sources of energy. Vecoplan is the product

leader in the mechanical treatment of replacement fuels. These rely on maximum value creation through pre-crushing and post-crushing processes and via additional stages in the process. Here, Vecoplan can boast global references.

"Alternative fuels offer a win-win situation for cement producers, municipalities and the environment," says Berens. "Not only are fossil resources protected, the negative effects of CO_2 during production are also actively reduced."

On the way to clean air

Products and systems from Vecoplan are already being successfully deployed in a further important sector which is also gaining ground in China. Due to the dramatic levels of air pollution, the country is set to become the most important market for biomass thermal power stations. One crucial reason for this is the attractive feed-in tariff for electricity generated from biomass fuels. Vecoplan supplies mechanical treatment plants with dispensing, conveying and storage components for biomass thermal power stations. In this sector, this specialist has implemented projects in the single to double-digit million range. In this context, Vecoplan is distinguished by its in-depth know-how and comprehensive project management.

MAX SHARE 2017


180 %
170 %
160 %
150 %
140 %
130 %
120 %
110 %
100 %
90 %
80 %
70 %
60 %
2017
Mar
May
Jul
Sep
Nov
Jan
Mar
MAX Automation SE
CDAX

MAX Automation completes its transformation into a Societas Europaea (SE)
On February 8, 2018, MAX Automation completed its transformation into the established legal form of a European public company (Societas Europaea – SE) with the related entry in the company's commercial register. The company thereby implemented the corresponding resolution of the Ordinary Shareholders' General Meeting on June 30, 2017. This change of legal form reflects the growing significance of the Group's worldwide business activities in Europe as well as China and the USA.

Instead of the previous dual management structure for the company comprising a Management Board and a Supervisory Board, the articles of incorporation of MAX Automation SE entail the internationally widely disseminated monistic management system with an Administrative Board. This board performs both executive and supervisory functions. Executive Directors are responsible for the management of the operating business.

Below, information relating to MAX Automation in 2017 relates to the German public stock corporation (Aktiengesellschaft) consisting of a Management Board and a Supervisory Board, and in the current year to the Societas Europaea (SE), comprising an Administrative Board and Executive Directors.

Sound performance on the stock markets
International equity markets performed well overall in 2017. Key drivers of this performance included the approval of an extensive tax reform in the USA, good economic data in Europe, pleasing quarterly figures in the US technology sector and brisk M&A activity. The electoral victories of Dutch Prime Minister Mark Rutte and French President Emmanuel Macron also exerted a positive effect. By contrast, risk factors for financial market performance included terror attacks in London, Barcelona and Las Vegas, continued tensions between North Korea and the USA, the breakdown of the Jamaica coalition talks in Germany, and the difficult negotiations surrounding Brexit.

Initially, the German equity index (DAX) performed well at the outset of the reporting year, but fell to its low for the year of 11,510 points on February 6. Subsequently, the DAX recovered rapidly, rising to around 12,900 points by mid-June. A further downtrend followed until the end of August, however. The equity index performed well, rising to its high for the year of 13,479 points on November 3. The DAX subsequently continued to trade at lower levels, closing the year at 12,918 points, representing a 12.5 % appreciation compared with the previous year's closing level (2016 closing level: 11,481 points). The DAX thereby remained on its growth track for the sixth consecutive year.

German mid-cap and small-cap equities also reported positive trends in 2017: the SDAX index was up by 24.9 % (previous year: +4.6 %), and the MDAX rose by 18.1 % (previous year: +6.8 %).

Equally, US stock markets performed well, registering their ninth consecutive year of growth. The Dow Jones Index reached a new all-time high of 24,837 points shortly before the end of 2017, reporting a gain of 25.1 % for the full year (previous year: 13.4 %). The S&P 500 reported a 19.4 % appreciation.

MAX Automation share registers dynamic gain

The MAX Automation share achieved a marked value rise over the course of 2017. It started at its low for the year of EUR 5.78 on January 2, increasing rapidly to a level of EUR 6.60 by the end of February. The share appreciated further by mid-May, remaining at a level of EUR 7.40 until mid-September. It reached its high for the year of EUR 8.40 on October 4. Although the share price fell again by early November, it started on a renewed uptrend toward the year-end. The MAX Automation share closed the year at EUR 8.14, up 41.6 % compared with the previous year's closing price (EUR 5.75).

The MAX Automation share outperformed the SDAX share price index, especially during the second half of the year.

The market capitalization of the MAX Group stood at EUR 239.8 million as of December 31, 2017, compared with EUR 154.1 million as of December 31, 2016 (all data based on Xetra closing prices).

Successful cash capital increase

On August 18, 2017, MAX Automation successfully completed a cash capital increase under exclusion of subscription rights pursuant to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG). To this end, the Management Board utilized its authorization to increase the company's share capital from EUR 26,794,415 by up to EUR 2,665,000, or a maximum 10 %, against cash capital contributions ("Approved Capital II"). Shareholders' subscription rights were excluded in this context pursuant to Section 186 (3) Clause 4 AktG.

Around 70 % of the 2,665,000 newly issued registered shares were placed with an investment company of the anchor shareholder over many years, Günther SE, Hamburg, and around 30 % with other institutional investors. A corresponding investor agreement had been arranged with Günther SE directly ahead of the cash capital increase. The issue price for each new registered share amounted to EUR 7.00.

Thanks to the successful conclusion of the cash capital increase, the share capital of the high-tech engineering specialist increased by EUR 2,665,000, or 10 %, to EUR 29,459,415. Gross proceeds, in other words, proceeds before the deduction of transaction-related expenses, of EUR 18.7 million accrued to the company. This cash inflow forms a further building block in the financing of the medium-term "Strategy 2021" of MAX Automation.

Key data for the MAX share in 2017	
German Securities Identification Number (WKN)	A2DA58
ISIN	DE000A2DA588
Ticker symbol	MXHN
Share class	No par value registered shares
Number of shares	29.46 million
Notional nominal value per share	EUR 1
Free float share as of December 31	40.4 %
Segment	Prime Standard
Index	CDAX

Performance of the MAX Automation share in 2017[1]	2017	2016
EBIT before PPA amortization per share (in EUR)	0.80	0.62
Earnings per share (in EUR)	0.50	0.30
Dividend per share (in EUR)	0.15[2]	0.15
High for the year (in EUR)	8.40	6.35
Low for the year (in EUR)	5.78	4.77
Year closing price (in EUR)	8.14	5.75
Dividend yield (in %)[3]	1.84	2.61
Market capitalization (in EUR millions)[4]	239.8[5]	154.1[6]

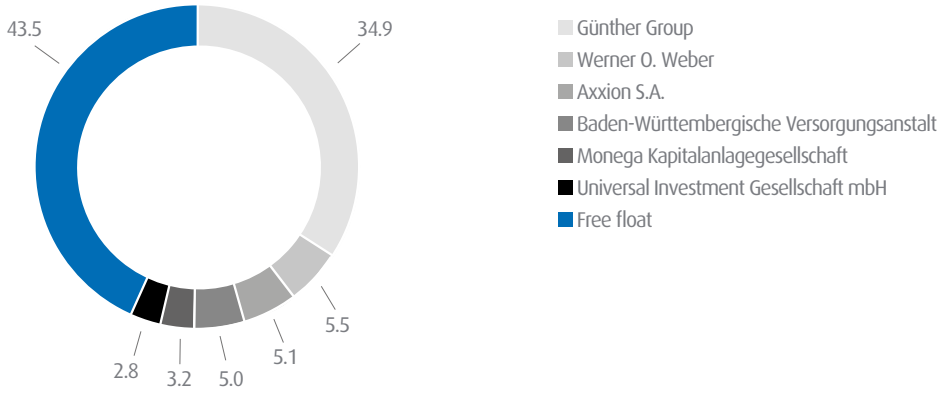
[1] All data based on Xetra closing prices
[2] Proposal by the Management and Supervisory boards
[3] Based on the year-end price
[4] As of December 31
[5] Based on 29.46 million shares after the cash capital increase
[6] Based on 26.79 million shares before the cash capital increase

Günther Group remains largest single shareholder

In March 2018, the Günther Group remained the largest individual shareholder in MAX Automation SE with a 34.9 % voting rights interest. Further large shareholders based on voting rights announcements submitted to the Executive Directors included Mr. Werner O. Weber with an interest of 5.5 %, Axxion S.A. with 5.1 %, Baden-Württembergische Versorgungsanstalt with 5.0 %, Monega Kapitalanlagegesellschaft mbH with 3.2 % and Universal Investment Gesellschaft mbH with 2.8 %. A total of 43.5 % of the voting rights thereby comprise the free float held by private and institutional investors.

Voting rights notifications submitted to the company during the year under review can be viewed on the website of MAX Automation (www.maxautomation.com/en/investor-relations/corporate-governance/).

Interests in the share capital in %



Constant dividend policy

MAX Automation upholds the principle of shareholders participating in the company's success and profitability through an appropriate dividend. Although the level of distribution is measured based on the company's earnings trends, it also takes into account the objective of expanding the Group's equity base for further growth. Distributions from the company's net worth are to be avoided.

At the Ordinary Shareholders' General Meeting on June 30, 2017, shareholders concurred with the proposed application of unappropriated retained earnings as submitted by the Management and Supervisory boards of MAX Automation AG and approved the payment of a constant dividend in relation to the previous year of

15 euro cents for the 2016 financial year. This corresponds to a total distribution amount of EUR 4.0 million. The payout ratio (in relation to consolidated net income) amounted to 46.7 %.

Constant dividend after successful 2017 financial year

The Administrative Board of MAX Automation SE intends to propose that the Ordinary Shareholders' General Meeting on May 18, 2018 approve a year-on-year unchanged dividend of 15 euro cents per share. This would correspond to a total dividend payout of EUR 4.4 million, equivalent to 31.2 % of consolidated net income. This new proposed application of unappropriated net profit continues the reliable dividend policy of MAX Automation. This policy aims to take into consideration not only shareholders' entitlement to a return on their invested capital but also the provision of sufficient room to maneuver for the Group's activities.

Intensified dialog with the capital market

MAX Automation AG is committed to the principles of open, prompt and comprehensive communication with the capital market. Accordingly, in 2017, the Management Board was again in regular contact with analysts, investors from both Germany and abroad, as well as relevant media, providing them with a rapid and comprehensive overview of the business situation and Group trends.

The Management Board pursued the objective of further intensifying communication with capital market participants during the reporting year. Existing coverage was provided by equinet Bank and Warburg Research.

Communication focused on the significant progress that MAX Automation has made in implementing its medium-term "Strategy 2021". In this connection, the Management Board covered topics such as the global drivers for the subsidiaries' business activities, including trends toward electromobility and autonomous driving, as well as the reduction of CO_2 emissions in the automotive area, demographic trends, and greater health awareness in relation to medical technology, as well as more stringent regulation in environmental technology. An important aspect of MAX Automation's growth strategy consisted of the further internationalization of its business activities, especially in the USA and in China, such as through the founding of MAX Automation North America Inc., and the planned majority acquisition of the activities of Shanghai Cisens Automation Co., Ltd. The analysis of market opportunities in the Environmental Technology segment as well as the planned expansion of this segment, potentially through a strategic partnership, also attracted significant interest.

The analysts from equinet Bank and Warburg Research recommended the MAX Automation share as a "Buy" during the course of the year. The share price targets in the most recent studies as of the date when the annual report was compiled amounted to EUR 8.50 (Warburg Research) and EUR 9.40 respectively (equinet Bank).

The Management Board also conveyed the strategy and business development of MAX Automation AG at roadshows and at investor conferences in 2017. In the year under review roadshows were held at important financial centers in Germany, including Frankfurt and Düsseldorf, as well as Luxembourg.

Renowned financial and investor media followed the company's development, presenting its strategic and financial prospects. Media contacts that were actively followed up lent greater depth to event-led communication through press releases and mandatory stock exchange announcements.

Dear shareholders,

On June 30, 2017, the Shareholders' General Meeting of MAX Automation AG improved the transformation of the company into MAX Automation SE. This transformation became effective when the change of legal form was entered in the commercial register on February 8, 2018. Pursuant to Section 47 (3) German SE Implementation Act (SEAG) in combination with Section 171 (2) of the German Stock Corporation Act (AktG), the Administrative Board, which was appointed pursuant to Section 7 of the articles of incorporation of MAX Automation SE, submits the following report to the Shareholders' General Meeting:

General

Until the becoming effective of the transformation of the company's legal form on February 8, 2018, and consequently during the entire 2017 reporting year, the Supervisory Board, all of whose members now belong to the Administrative Board, performed in full the tasks and obligations incumbent upon it pursuant to the law and the company's articles of incorporation.

In the 2017 financial year, the Supervisory Board concerned itself intensively with the strategic, financial and personnel development of MAX Automation AG and the Group. Based on up-to-date verbal and written reports from the Management Board about the business position of MAX Automation AG and the Group, the Supervisory Board supervised the management of MAX Automation AG in the 2017 financial year in accordance with stock corporation law regulations. The Supervisory Board was also on hand to provide advice to the Management Board during the financial year under review. The Management Board's reports related especially to fundamental questions about financial and investment policy, as well as the profitability and risk position of MAX Automation AG and the Group. Further focus areas especially included the transformation of the company's legal form into an SE, the expansion of the syndicated financing facility, as well as the capital backing and the acquisition of Cisens Automation. The Supervisory Board fulfilled with great care the tasks incumbent upon it according to the law and the company's articles of incorporation, and concerned itself intensively with the business transactions of the company and the Group.

The Supervisory Board was presented with regular reports on the course of business, along with divergence analyses in relation to planning and the previous year, including documentation of liquidity and financial positions.

All business transactions requiring approval were discussed in detail with the Management Board, with the related assent being granted where required.

The Supervisory Board members, especially the Supervisory Board Chairman, were also in intensive dialog with the Management Board outside the scope of meetings. They were also informed about the situation and development of both individual companies and the Group by way of verbal and written reports, discussing these reports with the Management Board, and consulting intensively about questions relating to business policy, business progress and the further development of the company and the Group.

The Supervisory Board was persuaded of the proper and orderly nature of management based on the Management Board's reports and information. Equally, the Supervisory Board assured itself through questioning

the Management Board, the subsidiaries' managers, and the auditor, that all of the requirements of the risk management system were fulfilled both at the parent company and within the Group.

Focus areas of Supervisory Board meetings

A total of four ordinary and three extraordinary Supervisory Board meetings were held in the year under review. The whole Supervisory Board attended all meetings. Pursuant to the regulations of the company's articles of incorporation, the Supervisory Board consists of just three members, with no committees being formed.

The Supervisory Board consulted at meetings about the most important business events, corporate planning as well as the financial position of MAX Automation AG and the MAX Automation Group.

The Supervisory Board's supervisory and consultative activities related primarily to the following items at the Supervisory Board meetings:

At its extraordinary meetings on April 7, 2017, July 17, 2017 and August 24, 2017, the Supervisory Board concerned itself especially with capital measures, the planned acquisition of Cisens Automation, the planned disposal of NSM Packtec, the transformation into an SE, as well as the strategic alignment of Vecoplan.

At its March 30, 2017 accounts meeting, the Supervisory Board focused on the audit of the separate and consolidated annual financial statements, the combined management report for the company and the Group for the 2016 financial year, and on the proposal for the application of unappropriated profit. Besides its own review, the Supervisory Board concerned itself with the audit conducted by the external auditor and its audit results, discussing these in detail with the auditor present at the meeting. This meeting also focused on the development of the subsidiaries during the 2017 financial year that had commenced, the implementation of the "Strategy 2021", the transformation into an SE, and M&A topics. The conformity statement was also approved and various personnel matters were discussed.

Along with 2017 financial year business trends for the Group subsidiaries and the Group, discussions at the June 22, 2017 meeting focused on the capital backing and the strategic further development of Vecoplan. The Management Board also presented various potential acquisition targets to the Supervisory Board. The Supervisory Board considered these in depth. In addition, the Supervisory Board consulted concerning personnel matters at subsidiaries requiring its approval.

At the September 27, 2017 meeting, the Management Board reported again and in detail on the trends of the Group and its operating segments, focusing on the strategic orientation of ELWEMA, IWM Automation and Rohwedder Macro. Moreover, various acquisition projects were discussed and the acquisition of Shanghai Cisens as part of an asset deal was approved. Group guidelines and the capital increase that had been concluded were also discussed.

The meeting of December 18, 2017 focused especially on the subsidiaries' trends in the 2017 financial year, and the corporate planning that had been submitted for the 2018 financial year. The Supervisory Board examined planning, especially in relation to its plausibility, consulted in detail with the Management Board about

the opportunities and risks it entailed, and then approved the planning. The Supervisory Board also discussed the strategic orientation of IWM Automation and Rohwedder Macro, as well as the current status of M&A projects. The disposal of NSM Packtec was approved in this context. Personnel matters and various initiatives were also discussed.

The Supervisory Board also frequently examined the monthly reports submitted at Supervisory Board meetings. These contain information about the revenue and earnings trends of the companies and the Group by segment, both per month as well as cumulatively. These also include the liquidity and financial positions, as well as deviations from budget. In addition, the risk management system is discussed on a regular basis.

The Supervisory Board also passed resolutions outside the scope of meetings. These especially concerned the transformation of the company into an SE, personnel matters, transactions requiring approval, the approval of the agenda for the Shareholders' General Meeting, restructurings of corporate legal relationships, acquisitions and the capital increase.

Personnel changes

Mr. Fabian Spilker, member of the Management Board of MAX Automation AG and, since the becoming effective of the change of corporate form, Executive Director and member of the Administrative Board of MAX Automation SE, stepped down from office with effect as of the end of the Ordinary Shareholders' General Meeting on May 18, 2018.

With effect as of March 1, 2018, the Supervisory Board appointed Mr. Andreas Krause for a period of office of three years to be Executive Director of MAX Automation SE. The Administrative Board will propose to the Ordinary Shareholders' General Meeting of MAX Automation SE to elect Mr. Krause to the company's Administrative Board.

Risk management

All risks identifiable from the perspective of the Management and Supervisory boards were discussed. The Supervisory Board was persuaded that the Management Board has installed a functioning risk management system. The auditor subjected the risk management system to an audit. This confirms that the Management Board has taken the measures required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG), and installed a monitoring system appropriate for the early identification of going concern risks to the company and the Group. In this context, during the course of this audit the auditor identified no transactions that are to be reported to the Supervisory Board.

Separate and consolidated financial statements for 2017

The independent auditor, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, audited in the light of the financial bookkeeping the separate annual financial statements for MAX Automation AG and the consolidated financial statements as of Sunday, December 31, 2017, as well as the combined management report for the company and for the Group, and issued them with unqualified audit certificates. The auditor thereby confirms that in its assessment based on knowledge gained from the audit, the separate annual financial statements and consolidated financial statements convey a true and fair view of the financial position and performance of MAX Automation AG and the Group in compliance with applicable

accounting regulations. The auditor also confirmed in this context that the combined management report for the company and the Group is in accordance with the separate and consolidated financial statements, conveys overall a true and fair view of the situation of MAX Automation AG, and appropriately presents the opportunities and risk entailed in its future development.

The auditor was elected by the Shareholders' General Meeting on June 30, 2017, and mandated with the audit by the Supervisory Board after the Shareholders' General Meeting. The Supervisory Board agreed with the auditor that the auditor should inform the Supervisory Board and make a related note in the audit report if findings are made while implementing the audit that suggest any incorrectness in the statement relating to the German Corporate Governance Code as issued by the Management and Supervisory boards. Before the Supervisory Board proposed Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, as the auditor of the separate and consolidated financial statements to the Shareholders' General Meeting, the auditor had confirmed to the Supervisory Board Chairman that no circumstances exist that can detract from, or raise doubts concerning, its impartiality as auditor. The auditor also stated in this context the extent to which services outside the audit were also rendered for the company during the past financial year, or were contractually agreed for the following year. It was also agreed with the auditor that the Supervisory Board Chairman should be informed concerning potential reasons for exclusion or bias occurring during the audit, to the extent that such circumstances had not been eliminated immediately. In addition, it was agreed that the auditor should report immediately on all findings and events arising while the audit is being conducted that are of significance for the Supervisory Board's responsibilities.

The drafts and copies of the accounting documents for the company and the Group, as well as the Executive Directors' proposal for the application of unappropriated profit, were submitted to the Administrative Board with sufficient time in advance to allow thorough examination of all documents.

At the Administrative Board accounts meeting on March 23, 2018, the Executive Directors explained the accounts for both the company and the Group, as well as their proposal for the application of unappropriated profit. Administrative Board members' questions were also answered by the Executive Directors. Following their explanation by the Executive Directors, and taking into account the auditor's reports, the Administrative Board examined the financial statements documents. The auditor who was present at the Administrative Board accounts meeting reported there in detail on the audit and the audit results, explained the audit report, and responded to the Administrative Board members' questions. In this context, the auditor also informed that its audit had not exposed any significant weaknesses in the internal controlling and risk management system in terms of the financial accounting process in the meaning of Section 171 (1) Clause 2 of the German Stock Corporation Act (AktG). The auditor also stated that no circumstances existed that would give any reasons for concern about its impartiality, and about which services it had rendered outside the scope of the audit of the financial statements. The Administrative Board came to the assessment that the auditor possesses the requisite independence.

The Administrative Board was persuaded that the auditor conducted the audit properly. In particular, it arrived at the conviction that the audit reports, as well as the audit itself, comply with statutory requirements. The Administrative Board then issued its approval of the audit result and, as no objections are to be raised following the conclusive result of its own review, approved the separate annual financial statements, consoli-

dated financial statements, and combined management report for the company and the Group (including the corporate governance statement pursuant to Section 289f of the German Commercial Code HGB). The annual financial statements have thereby been adopted. In its appraisal of the situation of the company and the Group, the Administrative Board concurs with the assessment expressed by the Executive Directors in their combined report on the situation of the company and the Group. In particular, this is also applicable in relation to statements concerning the further development of the company and the disclosures pursuant to Sections 315 (4) and 315a of the German Commercial Code (HGB). The Administrative Board reviewed the proposal submitted by the Executive Directors relating to the application of unappropriated profit, especially from the perspective of the company's development, effects on liquidity, and shareholder interests, and concurred with it. The Administrative Board also included the corporate governance statement in its review, and approved it expressly.

Finally, the Administrative Board at its accounts meeting approved this report to the Shareholders' General Meeting.

Conformity statement
Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Management and Supervisory boards issued the annual conformity statement on March 28, 2017, and published it on the Internet. The Supervisory Board has conducted an efficiency audit pursuant to the requirements of the Corporate Governance Code.

The Administrative Board would like to thank the Executive Directors and former Management Board members, as well as the managing directors of the subsidiaries, and all employees of the MAX Automation Group, for their committed and successful work during the financial year elapsed.

Düsseldorf, February 28, 2018

The Chairman of the Administrative Board

Gerhard Lerch

Corporate governance report

Pursuant to the recommendation contained in section 3.10 of the German Corporate Governance Code (DCGK), in the following section the Administrative Board and the Executive Directors report on the corporate governance of MAX Automation SE.

Compliance with nationally and internationally recognized standards for responsible corporate governance and controlling forms an important criterion for investors' investment decisions. MAX Automation SE regards the current German Corporate Governance Code as an appropriate means to secure and strengthen the capital market's trust and confidence in the company and the MAX Automation Group. The following corporate governance report serves to summarize the significant corporate governance principles that are critical to corporate governance at MAX Automation SE.

General information about the management structure

Until its transformation into MAX Automation SE, MAX Automation AG was especially subject to the regulations of German stock corporation law, capital market regulations, the provisions of the company's articles of incorporation. MAX Automation AG operated a two-tier executive and supervisory structure with its Management and Supervisory boards. The Management and Supervisory boards were – and felt – committed to the interests of the shareholders and the company. Their internal order was regulated in rules of business procedure that supplemented statutory provisions and the articles of incorporation. The Shareholders' General Meeting comprised the company's third corporate body.

Following its change of legal form, MAX Automation SE is subject to the provisions of the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (SE-VO), the Act to Implement Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (SEAG), as well as the most of the provisions of German stock corporation law and, on an unchanged basis, the capital market regulations as well as the provisions of the articles of incorporation approved for the SE. MAX Automation SE has a monistic management structure distinguished by the fact that the management of the SE is the responsibility of a single management body, the Administrative Board. The Administrative Board and the Executive Directors are – and feel – committed to the interests of the shareholders and the company. Their internal order is regulated in each case in rules of business procedure that supplement the provisions and the articles of incorporation. The Shareholders' General Meeting comprises the company's second corporate body.

The Supervisory Board of MAX Automation AG

Until the becoming effective of the company's transformation into an SE with the entry in the company's commercial register on February 8, 2018, the Supervisory Board of MAX Automation AG consisted of three members elected by the Shareholders' General Meeting. The Supervisory Board consulted with and supervised the Management Board in its management of the company.

As an element of the supervisory controlling process, the rules of business procedure for the Supervisory Board comprised clear and transparent methods and structures.

The Management and Supervisory boards worked together closely and based on trust in the interests of MAX Automation AG. The "Report of the Administrative Board" in this annual report presents details of focus areas of cooperation between the Management and Supervisory boards.

Along with statutory provisions, when making proposals relating to the election of Supervisory Board members, the Supervisory Board orientated itself exclusively to candidates' professional, specialist, technical and personal characteristics, as well as taking into account appropriate suitability aspects that support the Supervisory Board's function. This included, for example, having Supervisory Board members with relevant business experience (please also refer to the remarks in the statement of conformity relating to Code section 5.4.1). The Supervisory Board refrained from setting specific targets for its composition, especially as simply specifying such targets is not necessarily accompanied by an improvement in the quality of Supervisory Board work.

The Management Board of MAX Automation AG

The Management Board of MAX Automation AG, which held office until the becoming effective of the company's transformation into an SE with the entry in the company's commercial register on February 8, 2018, managed the company's business and was tied to the company's interest in this context. Its work aimed at enhancing the company's sustainable value. It developed the company's strategic orientation, coordinated it with the Supervisory Board, and ensured it was implemented. It was also responsible for the company's annual and multi-year planning, as well as for preparing the reports required by law, such as separate and consolidated annual financial statements, and interim reports. It was also responsible for appropriate risk management and risk controlling, as well as for regular, prompt and comprehensive reporting to the Supervisory Board on all questions of relevance to the company and the Group relating to strategy, corporate planning, business development and trends, the risk position and risk management.

The Supervisory Board set out the specifics of the Management Board's information and reporting duties. Significant transactions required Supervisory Board approval. Actions and transactions of fundamental importance were communicated in good time to shareholders and the capital market, also in order to make decision-making processes transparent during the course of year, and to keep capital market participants sufficiently informed. The Management Board's rules of business procedure set out the transactions requiring approval.

The Administrative Board of MAX Automation SE

The Administrative Board of MAX Automation SE, which has held office since the becoming effective of the company's change of legal form with the entry in the company's commercial register on February 8, 2018, manages the company, determines the bases of its activities and supervises their implementation by the Executive Directors. It appoints and dismisses the Executive Directors, approves their compensation scheme and sets their respective compensation.

Pursuant to the company's articles of incorporation, the Administrative Board consists of five members appointed by the Shareholders' General Meeting. At least one member must possess expertise in the financial accounting or financial auditing areas. The articles of incorporation of MAX Automation SE determine by name the members of the first Administrative Board. These are Mr. Gerhard Lerch, Dr. Jens Kruse, Mr. Oliver Jaster, Mr. Daniel Fink and Mr. Fabian Spilker. The members of the first Administrative Board were appointed until the end of the Shareholders' General Meeting that approves the discharge for the first financial year of

MAX Automation SE, albeit for a maximum duration of three years from the date of the entry of MAX Automation SE in the company's commercial register. Subject to this regulation for the first Administrative Board, the Administrative Board members are appointed at maximum for the period until the end of the Shareholders' General Meeting that decides concerning the discharge for the fourth financial year after the start of the period of office, albeit for a maximum of six years. The financial year in which they commence their period of office is not included in this calculation. Reappointments are permitted.

Administrative Board meetings occur as often as the law and business require, although at least every three months. Otherwise, the Administrative Board is to be convened if an Administrative Board member demands that it be convened, stating the purpose and reasons.

The Executive Directors of MAX Automation SE

The Executive Directors of MAX Automation SE manage the company's business based on joint responsibility with the aim of sustainable value creation. They implement the guidelines and instructions that the Administrative Board prepares.

The Administrative Board appoints the Executive Directors. The Administrative Board also determines the number of Executive Directors. Administrative Board members can be appointed as Executive Directors as long as the most of the remaining Administrative Board members are Non-Executive Directors. The Executive Directors are appointed for a maximum five-year period. Re-appointments are permitted. The company is represented by two Executive Directors jointly, or by one Executive Director together with a company officer. If only one Executive Director is available, this Executive Director shall represent the company on a sole basis. MAX Automation SE currently has two Executive Directors, who are also members of the Administrative Board.

The Executive Directors obtain Administrative Board approval in the instances provided for by the law, the company's articles of incorporation, the rules of business procedure for the Executive Directors, or an Administrative Board resolution. The Executive Directors inform the Administrative Board regularly, promptly and comprehensively concerning all questions of relevance to the company relating to strategy, planning, business development financing, the risk position, risk management, compliance and the company's business and financial position. They discuss differences between the course of business and the plans and targets that have been compiled, stating the related reasons for such differences.

The Executive Directors are obligated to immediately disclose conflicts of interest to the Administrative Board and to inform the other Executive Directors accordingly.

The principles of the collaboration of the Executive Directors of MAX Automation SE are regulated in the rules of business procedure for the Executive Directors.

Shareholders' General Meeting

Shareholders exercised, and exercise, their rights and voting rights at the Shareholders' General Meeting. MAX Automation SE, in the same manner as MAX Automation AG before its transformation, now has only fully voting-right-entitled shares. Each share grants one vote. The annual Ordinary Shareholders' General Meeting is held during the first six months of every financial year. The agenda for the Shareholders' General Meeting,

including reports and documents required for the meeting, was 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/.

MAX Automation SE provides its shareholders with proxy voting arrangements for the Ordinary Shareholders' General Meeting to make it easier for them to exercise their rights. The convening document for the Shareholders' General Meeting explains how proxy instructions can be issued ahead of the meeting. Shareholders are also free to select their own proxy. The registration and legitimation procedure corresponds to the standard procedure in Germany for registered shares. Accordingly, shareholders that are properly registered in the share register on the Shareholders' General Meeting date are entitled to participate at the Shareholders' General Meeting. In this context, it is no longer possible, as a matter of principle, to realize transfers within the share register after the end of the seventh day before the meeting (the technical record date), so that the technical record date comprises the crucial cut-off date for legitimizing shareholders to participate at the Shareholders' General Meeting.

Financial accounting, auditing and risk management

The consolidated financial statements of MAX Automation AG (and, after the transformation: MAX Automation SE) are prepared according to the principles of International Financial Reporting Standards (IFRS), and the separate annual financial statements and the combined management report for the company and the Group are prepared according to the regulations of the German Commercial Code (HGB).

Before submitting its election proposal to the Ordinary Shareholders' General Meeting on June 30, 2017, the Supervisory Board of MAX Automation AG obtained a confirmation of the independence of its planned auditor. A public selection process that meets statutory requirements was held for 2017. The Supervisory Board Chairman asked the auditor to report to it immediately about all matters arising during its audit activities in relation to significant findings or events that in the broadest sense concern the Supervisory Board's tasks, where they could not be addressed immediately. For the first financial year of MAX Automation SE, the transformation plan, which the Shareholders' General Meeting on June 30, 2017 approved, includes the appointment of Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, as the auditor of the financial statements.

The existing risk management system of MAX Automation SE (and before the transformation: MAX Automation AG) is set up to disclose, record, measure and steer business and financial risks to which the company is exposed in its operations. The individual elements of this supervisory system provide reliable information about the current risk position, and support documentation, risk investigation, and elimination of weak points. They consequently help to minimize negative effects that might arise from risks. The combined management report for the company and the Group provides detailed information about the risk management system.

Transparency

MAX Automation SE utilizes as, before its transformation became effective, MAX Automation AG, the company's website at "www.maxautomation.com" to provide up-to-date information for shareholders and investors. Along with the annual report and interim reports (half-year financial report and quarterly financial reports), shareholders and third parties are informed about current developments by ad hoc announcements and press releases.

Sufficiently in advance, MAX Automation SE, as formerly MAX Automation AG, issues a financial calendar with all of the company's main dates and publications.

Reportable securities transactions and significant voting rights interests

Pursuant to the German Market Abuse Directive (MMVO), MAX Automation SE, as formerly, before its transformation became effective, MAX Automation AG, publishes directors' dealings pursuant to Section 19 of the German Market Abuse Directive (MMVO) as soon as they have been received, in other words, notifications by members of the Management Board, the Administrative Board, the Executive Directors and other individuals who exercise managerial functions at MAX Automation SE in the meaning of Section 19 of the German Securities Market Abuse Directive (MMVO), as well as natural and legal persons closely related to such individuals, concerning securities transactions relating to the MAX Automation share. Such notifications are also published on the company's website at www.maxautomation.com/en/investor-relations/corporate-governance/.

As soon as they have been received, the company also immediately publishes notifications concerning the purchase or sale of significant voting rights interests pursuant to Section 33 (formerly: Section 21) of the German Securities Trading Act (WpHG), or concerning the holding of financial instruments and other instruments pursuant to Section 38 (formerly: Section 25) of the German Securities Trading Act (WpHG), or concerning the holding of further financial instruments and other instruments pursuant to Section 39 (formerly: Section 25a) of the of the German Securities Trading Act (WpHG), on the company's website at www.maxautomation.com/en/investor-relations/corporate-governance/. The corresponding notifications for the financial year elapsed are also reproduced in the notes to the consolidated financial statements in this annual report.

Conformity statement – German Corporate Governance Code

On February 28, 2018, the Administrative Board issued its conformity statement pursuant to Article 9 (1) lit. C) (ii) of the Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) (SE-VO), Section 22 (6) of the Act to Implement Council Regulation (EC) No. 2157/2001 on the Statute for a European company (SE) (SEAG), in combination with Section 161 of the German Stock Corporation Act (AktG). Divergences from the recommendations of the German Corporate Governance Code are disclosed and justified. The conformity statement, including the justification of divergences from it, can be found on the company's website at www.maxautomation.com/en/investor-relations/corporate-governance/.

The current and previous versions of the conformity statement since 2008 are also permanently available for shareholders at the aforementioned Internet address.

Compensation report in the corporate governance report

Basic elements of the Management Board compensation scheme

The compensation of Management Board members in office during the 2017 financial year is published in the combined management report for the company and the Group, and disclosed individually.

Compensation of Supervisory Board members

The compensation of Supervisory Board members in the 2017 financial year is presented on an individualized basis in the notes to the consolidated financial statements and in the combined management report for the company and the Group.

Stock option programs and similar securities-based incentive schemes

No stock option programs or similar securities-based incentive schemes existed either before the becoming effective of the transformation at MAX Automation AG, nor do such schemes exist after the becoming effective of the transformation at MAX Automation SE.

Corporate governance statement

This corporate governance report is published in connection with the corporate governance statement. The corporate governance statement is published on the company's website at http://www.maxautomation.com/en/investor-relations/corporate-governance/.

Düsseldorf, February 28, 2018

The Administrative Board and the Executive Directors

Gerhard Lerch
(Chairman)

Daniel Fink
(Executive Director)

Fabian Spilker
(Executive Director)

Statement of the Administrative Board 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

Apart from the exceptions listed below and taking into account the particularities of the monistic system of MAX Automation SE as presented below, MAX Automation SE complies with the recommendations of the German Corporate Governance Code (DCGK) of February 7, 2017, in the version published by the German Federal Ministry of Justice in the official section of the German Federal Gazette (Bundesanzeiger) on April 24, 2017, and to this extent will continue to comply with them in the future.

Moreover, apart from the exceptions listed below and taking into account the particularities of the monistic system of MAX Automation SE (and formerly MAX Automation AG) as presented below, since the last conformity statement was issued on March 28, 2017, MAX Automation SE has complied with all the recommendations of the German Corporate Governance Code (DCGK) of May 5, 2015, in the version published by the German Federal Ministry of Justice in the official section of the German Federal Gazette (Bundesanzeiger) on June 12, 2015, as well as, since it was published in the Bundesanzeiger, in the version of February 7, 2017.

Particularities of the monistic corporate governance system

Pursuant to Articles 43–45 SE-VO in combination with Sections 20 et seq. SEAG, the monistic system is distinguished by the fact that the management of the SE is the responsibility of a single management body, the Administrative Board. The Administrative Board manages the company, determines the basic principles of his activities and supervises its implementation by the Executive Directors. The Executive Directors manage the company's business, represent the company both judicially and non-judicially, and are bound by the Administrative Board's instructions.

MAX Automation SE relates the Code's principle for the Supervisory Board to the Administrative Board of MAX Automation SE, and for the Management Board to the Executive Directors. In relation to the statutory structuring of the monistic system, the following exceptions apply to this:

- By way of divergence from section 2.2.1 clause 1 of the Code, the Administrative Board is required to submit the separate annual financial statements and consolidated financial statements to the Shareholders' General Meeting, Section 48 (2) Clause 2 SEAG.

- By way of divergence from section 2.3.1 clause 1 and 3.7 (3) of the Code, the Administrative Board is responsible for convening the Shareholders' General Meeting, Sections 48 and 22 (2) SEAG.

- The Management Board tasks as set out in section 4.1.1 (management of the company) and 4.1.2 in combination with 3.2; 1 (development of the company's strategic orientation) of the Code are the responsibility of the Administrative Board, Section 22 (6) SEAG.

- The Management Board responsibilities regulated in sections 2.3.2 clause 2 (proxy bound by voting instructions), 3.7 (1) (opinion relating to a takeover offer) and (2) (behavior in the instance of a takeover offer) as well as 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and controlling) of the Code are the responsibility of the Administrative Board of MAX Automation SE, Section 22 (6) SEAG.

- By way of divergence from sections 5.1.2 (2) clause 1 and 2 of the Code, and by way of divergence from Management Board members, Executive Directors are not subject to any fixed or maximum permitted duration of appointment, Section 40 (1) Clause 1 SEAG.

- By way of divergence from section 5.4.2 clause 2 and 5.4.4 of the Code, Administrative Board members can be appointed as Executive Directors if the majority of the Administrative Board continues to consist of members that are Non-Executive Directors, Section 40 (1) Clause 2 SEAG.

Exceptions to the Code's recommendations
The following recommendations were not complied with:

Relating to 3.8, third paragraph
The D&O insurance cover that MAX Automation AG has taken out for the members of its Management and Supervisory boards, and now of MAX Automation SE for its Administrative Board members, does not include a deductible, as a rule, as it comprises a group insurance policy that also includes a number of staff members in Germany. Until the corporate transformation, a deductible had nevertheless been agreed for the Management Board members, in accordance with statutory regulations, although such a deductible has not been agreed for the Supervisory Board members. MAX Automation SE is of the view that the motivation and sense of responsibility with which Supervisory Board members and Administrative Board members respectively perform their duties is not improved by such a deductible. For this reason, the company will continue to refrain from a deductible for Administrative Board members.

Relating to 4.1.3
In December 2017, the Management Board set up a compliance management system and published its basic principles. The Management Board also created structures enabling employees and third parties to notify, on a protected basis, any legal offenses committed within the group (whistleblowing). Until this date, a divergence existed in relation to the version of the German Corporate Governance Code (DCGK) notified on April 24, 2017. This is due to the fact that the Management Board took very seriously the introduction of a sustainably functioning compliance management and whistleblowing system, and has implemented it with care accordingly.

Relating to 5.3
Until the company's corporate transformation, the Supervisory Board of MAX Automation AG consisted of three members. For this reason, it was not possible in terms of German stock corporation law to form committees able to pass resolutions, especially an audit committee. Given the Supervisory Board's size, it also did not appear feasible to form committees unable to pass resolutions, especially a nomination committee. The Administrative Board of MAX Automation SE also refrains from forming committees, as this continues to not appear feasible given its size of two Executive Directors and three Non-Executive Directors.

CONFORMITY STATEMENT

Relating to 5.4.1
No age limit was set for members of the Supervisory Board of MAX Automation AG or a normal duration limit for Supervisory Board membership, as such limitations on Supervisory Board membership might potentially fail to take into account either the members' individuality or the value of many years of experience. Following the corporate transformation into an SE, the Administrative Board of MAX Automation SE decided to introduce both an appropriate age limit as well as a suitable normal limit for the duration of Administrative Board membership, taking into account the concerns of the DCGK and the company's previous practice. To this extent, a divergence exists only in relation to the past.

Relating to 5.4.3
The company reserves the right to also submit applications for court-appointed Administrative Board members on an indefinite basis. The company nevertheless plans to propose to the shareholders that the court-appointed Administrative Board member be elected to the Administrative Board at the next Ordinary Shareholders' General Meeting convened following the court appointment. This serves to ensure that an Administrative Board consisting of just three non-executive members and two Executive Directors can act at any time, and that shareholders can exercise their co-determination rights in electing Supervisory Board members.

Relating to 5.4.6
As no committees have been formed, neither the chair nor members in committees can be included in Administrative Board compensation (and until the transformation into an SE in Supervisory Board compensation).

Relating to 6.2
The shareholdings of Management and Supervisory board members were not reported separately in order to protect their privacy. The company is of the view that the publication of directors' dealings and changes in voting rights already provides sufficient transparency. With the version of the German Corporate Governance Code (DCGK) published on April 24, 2017, the corresponding recommendation has also lapsed.

Relating to 7.1.2

Before the corporate transformation into an SE, before being published, the half-year and quarterly financial report were discussed only with the Supervisory Board Chair, but not with the entire Supervisory Board, as the Management Board saw this as the only way to retain the requisite flexibility. This continues to be the case after the transformation into an SE.

Düsseldorf, February 28, 2018

The Administrative Board

Gerhard Lerch
(Chairman)

Daniel Fink
(Executive Director)

Fabian Spilker
(Executive Director)

Combined management report for MAX Automation SE for the 2017 financial year

1. Basis of the parent company and the Group

1.1 Business model

MAX Automation SE based in Düsseldorf, Germany, and its subsidiaries operate as an international high-tech mechanical engineering group and leading complete provider of integrated and complex system and component solutions.

Operations are divided into the two operating segments of Industrial Automation and Environmental Technology. In its Industrial Automation segment, the Group's extensive technological expertise enables it to act as an innovation leader in the development and production of integrated and proprietary solutions for manufacturing and assembly in the long-term growth sectors of automotive, medical technology, packaging automation and electronics. In its Environmental Technology segment, MAX Automation develops and installs technologically complex systems for the recycling, energy and raw materials industries.

As an innovation leader in its business areas, MAX Automation ascribes great significance to groundbreaking solutions for networked production. Core competencies in this context relate to the creation of machines and systems, and equally to the development of software and interlinked applications, such as for product management or maintenance.

In the Industrial Automation segment, MAX Automation concentrates on the four business areas of mobility automation, process technologies, life science automation and new automation technologies. These business areas benefit from attractive growth drivers, such as reducing CO_2 emissions from vehicles, the rising importance of sustainable and environmentally compatible solutions in mobility, the development of networked applications for the advancing digitalization of industrial production (Industry 4.0) and the general population's growing awareness of health, with the corresponding positive effects on the medical technology sector. In the Environmental Technology segment MAX Automation serves growth drivers such as the growing global awareness of climate and environmental protection as well as increasingly stringent political regulation in this area, combined with solutions for an approach to using natural resources sparingly.

The primary goal of MAX Automation's business model is geared to the sustainable development of the medium-sized Group companies. These companies form the Group's operating business. In acquiring companies, MAX Automation SE pursues the objective of purchasing a controlling interest, if possible 100 % of the shares. Smaller interests are also possible, however, if appropriate with an option to increase participating interests later.

As the management company, MAX Automation SE is responsible for the strategic and financial management of the Group. In addition, it determines and monitors appropriate strategic and operational measures that allow the defined targets of the Group companies and of the Group to be met.

Above and beyond this, MAX Automation analyzes and defines significant synergy potential between the Group companies, thereby raising efficiency within the Group, in accordance with its medium-term "Strategy 2021". These include combining activities in the areas of purchasing and financing, an increasingly important joint utilization of foreign sites as part of internationalization, know-how and technology transfer, best practice approaches and methodologies, and targeted partnerships in developing new solutions in specific projects. MAX Automation has set itself the target of boosting value creation within the Group through concerted enhancement of relationships for the delivery of goods and rendering of services between the Group companies. In some situations, possibilities also exist for exploiting sales synergies through project-based collaboration within the MAX Group.

In accordance with a decision passed by the Shareholders' General Meeting held on June 30, 2017, and the entry into the commercial register on February 8, 2018, MAX Automation AG was transformed into MAX Automation SE. Up until its transformation, the company was managed by the Management Board in accordance with the statutory provisions under German stock corporation law. The Supervisory Board supervised the Management Board and advised it in its managerial duties. Since its transformation, MAX Automation SE has had a monistic management structure that is characterized by the fact that the management of the SE is incumbent on a single management body, namely the Administrative Board.

The Administrative Board is provided with the information necessary for managing the company and decision making by the Executive Directors who receive monthly financial reports from the subsidiaries and meet regularly with the managing directors of operating subsidiaries and make visits to domestic and foreign locations.

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

The business trends of the Group companies in the segments, and their corresponding profit transfers have a significant impact on net assets, financial position and performance of MAX Automation SE as the Group's parent company. All of the Group's operating companies are allocated to one of the two segments of either Industrial Automation or Environmental Technology.

The Industrial Automation segment comprised the following companies with their group companies in the fiscal year 2017:

- NSM Magnettechnik Group
- ELWEMA Automotive GmbH
- IWM Automation Group
- bdtronic Group
- MA micro automation GmbH
- Rohwedder Macro Assembly GmbH
- iNDAT Robotics GmbH
- Mess- und Regeltechnik Jücker GmbH
- AIM Micro Systems GmbH
- MAX Automation North America Inc.

In addition, MAX Automation reported the signing of an investment agreement for the majority acquisition of the operations of Shanghai Cisens Automation Co., Ltd., a Chinese mechanical engineering company, in August 2017. The transaction is due to be completed in March 2018. Furthermore, at the start of 2018, subsidiary bdtronic GmbH purchased 100 % of all the shares in Italian mechanical engineering company R.C.M. Reatina Costruzioni Mecchaniche S.r.l. (RCM), headquartered in Rieti, Lazio region, which has extended its product range, above all in the field of electric and hybrid drives.

The Environmental Technology segment comprised the following company with its significant subsidiary in the year under review:

- Vecoplan Group
  - Vecoplan LLC (USA)

The Group companies of MAX Automation SE operate as technology leaders in their respective markets. They develop complex automation and process solutions tailored individually to their customers' requirements. The companies provide a broad range of products and services that encompass individual technical components and process, turnkey automation systems and complete specialty mechanical engineering plants. As systems integrators, they also operate on behalf of their customers and render services for their customers such as consulting (including analyses, tests and feasibility studies), production assistance, maintenance/repair, and software development. Consequently, the individual Group companies are able to provide integrated automation solutions with a high degree of technical complexity and extensive services such as for maintenance of machinery and systems as well as staff training on a one-stop-shop basis.

The MAX Automation Group operates primarily in target markets in Europe, North and South America as well as Asia. The Group companies develop and produce their high-tech automation solutions mainly in Germany, as well as at selected sales and service sites in the USA and Poland. In addition, they have international sales and service branch operations to enable them to serve their global customers on site.

The most important customer groups of the Industrial Automation segment include the automotive industry and their suppliers of various degrees, the medical technology and the electronic industry. The customer base of the Environmental Technology segment includes primarily private and public sector companies from the waste and recycling sector, the pulp and paper industry, the energy sector, as well as the cement and plastics industry (for more information on the Group operating segments, please see section 2.10 of the segment report).

1.2 Key management indicators and strategic positioning

1.2.1 Key financial management indicators

MAX Automation SE uses financial management indicators to manage and assess its operations. These are aimed at securing and enhancing long-term profitability.

The financial performance indicators include:
- New order intake and order book position
- Profitability indicators
- Capital and liquidity indicators
- Personnel data (especially headcounts)
- Covenants for the syndicated loan agreement

The covenants for the syndicated loan agreement include the MAX Group's equity ratio, leverage, and interest coverage ratio. The Group is managed through setting and reviewing target ranges.

1.2.2 Strategic positioning

MAX Automation SE pursues a long-term oriented business model. The model is derived from the specific strengths of the Group companies in the segments of Industrial Automation and Environmental Technology as well as from the strategic strategic instructions of MAX Automation SE as the management company such as in the form of the medium-term "2021 Strategy". The Group's strategic positioning is characterized essentially by the following aspects:

- **Offering of value added:** The Group companies in the segments of Industrial Automation and Environmental Technology possess long-standing experience and extensive expertise. The Group companies are therefore in a position to combine automation components and broad-based system, process and software know-how into individual and technologically complex solutions, including supplementary services. Acting as close partners to their customers in the respective industries, the Group companies pursue the goal of optimizing their product processes on an ongoing basis based on the specific requirements and specifications. The Group and its subsidiaries therefore create important added value for their customers and deliver competitive advantages through their unique selling propositions. This added value positioning is of key significance for the MAX Automation Group's long-term business success and profitability.

- **Expertise for sophisticated major projects:** MAX Automation's subsidiaries have the ability to integrate various services into one uniform project management. This applies above all to the use of high-tech solutions, combined with special process know-how and end-to-end services. This kind of holistic project management is a key starting point not only for development, production and the maintenance of individual components but also for acquiring and realizing sophisticated major projects in the international markets.

- **A corporate culture that lives and breathes innovation:** The industrial automation and environmental technology areas in which MAX Automation operates together with its subsidiaries are characterized by fierce competition and consistent, ongoing technological progress. This applies increasingly to the digitalization of industrial production, the associated networking of machines and systems, as well as to high-growth industrial areas such as micro-automation and robotics. In this context, the development of software solutions, such as for the management or maintenance of plant, is of growing significance. Innovative products and services that create sustainable optimizations and consequently measurable added value for customers are therefore critical to the Group's long-term success. MAX Automation therefore attributes great importance to the continuous development of technologies and the development of innovative solutions in securing and further expanding the individual Group companies' market positions.

- **Long-term growth drivers:** The MAX Automation Group benefits from specific growth drivers in its Industrial Automation and Environmental Technology segments. This includes, for example, CO_2 reduction in the automotive area, trends toward electromobility and autonomous driving, technological progress in digitalization and robotics, along with demographic trends and related greater health awareness in the population. The leading indicators of these trends as well as the corresponding strategic direction, for instance in the context of "Strategy 2021", are of key importance for the long-term success of the Group. MAX Automation pursues the objective of not only participating in the relevant technological developments but also of shaping them through developing innovative solutions, for example in the areas of electromobility, augmented automation and collaborative robotics.

- **Targeted international expansion:** The Group companies of MAX Automation are steadily expanding their international businesses. In view of the dynamic growth of markets in the emerging economies of Asia and South America, customer demand for comprehensive support at their international locations, as well as huge investment requirements in environmental technologies, particularly in North America and Asia, this international expansion is a prerequisite for the Group's further growth. An international network of sales and service branches that are partly jointly used by Group companies, as well as selected production sites abroad provide a base from which the MAX Automation Group can serve local customer requirements, generate synergies and progress and step up its acquisition efforts. The Group's objective is to substantially reinforce its international presence, particularly in North America and China.

- **Strategic partnerships:** MAX Automation SE is planning to expand its Environmental Technology segment. According to a comprehensive and in-depth market analysis, the specialist for high-tech engineering perceives good opportunities for creating added value for customers, employees and shareholders. Up until now, environmental technology has consisted only of the wholly-owned subsidiary of Vecoplan AG. The expansion is to take place on an organic basis as well as in cooperation with strategic partners. MAX Automation intends to actively exploit consolidation opportunities in the heterogeneous environmental technology sector and to reap further benefit from the drivers of global growth and the increasingly stringent political regulations placed on environmental protection.

1.3 Research and development

The MAX Automation Group serves renowned international companies in the segments of industrial automation and environmental technology through its solutions. In their respective sectors, these companies rank among the leading providers and require customized automation solutions that harness state-of-the-art technologies and processes for their business success. The market environment in which MAX Automation operates is characterized by swift technological change, new developments and trends, fierce competition and growing political regulation in the environmental technology segment in particular.

Against this backdrop, MAX Automation attributes particular importance to its own development for its future success in the individual markets. Development is organized on a decentralized basis: As the Group's strategic management company, MAX Automation SE does not have any development activities of its own. All of the subsidiaries maintain their own capacities, including in the form of specialized departments and technology centers. They structure their research activities in the context of specific customer projects, aligning them depending on their customers' market situations and needs. They also offer to prepare individual feasibility studies in advance.

The subsidiaries consistently expand their expertise in order to secure their technological leadership and tap into new and promising markets. As a result, the individual companies have comparatively young product portfolios that are hallmarked by ongoing innovation.

In fiscal 2017, key innovations pertain to the following Group companies, among others:

- ELWEMA Automotive: The development of a steam cleaning system for engine and gear unit manufacturing, a process that began in fiscal 2016, offers substantial benefits compared with conventional methods. Among other features, this includes saving around 95 % of water consumption, significantly reduced space requirements, and a purchase price that is considerably below the cost of conventional technologies. The newly developed cleaning system is used for combustion engines as well as in e-mobility.

- IWM Automation Group: Development of a system for the punching, conveying and joining of housing connector parts in automotive production. The system offers much greater flexibility compared with conventional solutions as it is programmable and can therefore produce various connector structures. Another innovation consists of using a high-frequency needle system for the punching process. The system harbors huge potential, particularly for the production of electric vehicles in view of the large volume of connectors in this area.

- Vecoplan AG: Development of a standardized machine for opening waste material packed in plastic bags and/or sack-in-sack packaging (e.g. DSD –> yellow sack) without shredding their content in order to obtain easily sortable material in downstream processes. The cutters on this machine (VSA 250 T) consist of hammers which are welded to the two rotors and which operate inside the open, solid cutting frame. Thanks to the open design of the cutting frame, the cutters are unaffected by impurities such as stones or hand-sized metal items. As the cutting frame and rotors can be changed, maintenance work such as hard facing welding can be carried out outside the machine. This significantly reduces system downtime.

Of the development costs totaling EUR 2.3 million (previous year: EUR 4.4 million) recorded in fiscal 2017, an amount of EUR 1.7 million was capitalized. In the recognition of development costs, the fact that many developments are incorporated into specific customer projects and cannot be calculated and therefore disclosed separately should be taken into account. The development costs incurred are estimated to be considerably higher. Further information about development spending is presented in section 6.2 of the notes to the financial statements.

2. Group economic and business report

2.1 Macroeconomic and sector-related conditions

2.1.1 Macroeconomic environment

In 2017, the global economy was characterized by an upswing. The International Monetary Fund (IMF) reports major growth impetus emanating again from the established economies for the first time several years, including Germany, Japan and the USA. The emerging economies in Eastern Europe, in South America and China, however, also reported positive trends. According to the IMF, a special factor of influence was the outcome of the elections in France, the Netherlands and Austria, and the defeat of the right-wing populist parties in this context.

In the reporting year, the IMF anticipates growth of 3.7 % for the global economy on the back of the aforementioned developments, following on from 3.2 % in the previous year, which was lowest growth since the financial crisis in 2007. The Chinese economy expanded by 6.8 %. In the USA, economic growth was also upbeat, increasing by 2.3 %.

According to the IMF, the economy in the Eurozone expanded by 2.4 %, which was stronger than originally anticipated at the start of the year. Export activities in Germany as well as in other European countries picked up the pace. Expectations for the UK's economy are, however, modest in the opinion of the IMF. This is attributable to the effects of the referendum on a possible exit of the country from the European Union.

Germany's economy experienced a distinct economic upswing in 2017. According to the German Federal Statistical Office, the gross domestic product (GDP) was up by 2.2 %, which is almost one percentage point above the average figure posted in the last decade. Above all, private consumption formed the mainstay of this upbeat development on the back of the good situation in the labor market and a positive trend in almost all areas of the economy, including the services sector, the manufacturing industry and the construction sector.

2.1.2 Trends in relevant sectors

The German Engineering Federation (VDMA) reports a successful year in 2017 for its member companies. The Federation anticipated full-year growth of 2.3 % to EUR 224 billion in the industry's revenues. This brings the earnings of the companies over the EUR 220 billion threshold for the first time ever. According to the VDMA, this positive development was supported by exports, with the USA and China accounting for the majority of these exports. By contrast, exports to the UK declined due to the uncertainty surrounding Brexit.

The robotics and automation business developed extremely well. The VDMA Specialist Robotics and Automation Technology Association expected an increase of 11.0 % in the industry's revenues to a record figure of EUR 14.2 billion in 2017. Revenue generated in the robotics business is predicted to grow by 15.0 % to EUR 4.1 billion. Revenue in the Integrated Assembly Solutions segment that comprises intelligent assembly and production solutions expanded by 6.0 % to EUR 7.5 billion.

Sources:
- International Monetary Fund (IWF), World Economic Outlook, October 2017 and January 2018
- Federal Government of Germany, press release, January 11, 2018

According to the German Automotive Industry Association (VDA), new vehicle registrations on the global automotive markets climbed by 2.0 % to EUR 84.6 million in total in the year under review. The VDA reported growth of 2.0 % 24.1 million new vehicles in the Chinese market and of 3.0 % to 15.6 million new vehicles in the European market. The US market contracted by 2.0 % to 17.2 million new vehicles, however. The Association reported that of the large markets in Europe only the British market entered into decline due to the impact of Brexit.

The German medical technology sector also developed well in 2017. The sector association Spectaris puts the increase in companies' revenue at 4.8 % to EUR 30.6 billion, thereby exceeding the threshold of EUR 30 billion for the first time. The Association cites digitalization as the main factor of influence behind this development. Medical technology companies are set to evolve from pure manufacturers of devices to providers of digital healthcare solutions.

The VDMA Specialist Waste and Recycling Technology Association reported that its member companies' business developed well in the year under review, and anticipated growth of 3.0 % to EUR 2.7 billion in the industry's revenues. According to the Association, one of the main reasons for the increase was a surge in demand, both in Germany and from the member states of the European Union.

2.2 Group business trends

In 2017, the MAX Automation Group reported business developments generally progressing in line with expectations. The Group even achieved a new record in its order book position. The two Group segments of Industrial Automation and Environmental Technology both contributed to this development. Industrial Automation continued to benefit from the numerous growth drivers in the automotive industry in particular and, to an increasing extent, also in the medical technology sector. In accordance with the "Strategy 2021", the segment's business performance was also determined by the ongoing internationalization of business activities, above all in the USA and China, as well as from the growing exploitation of synergies. The measures implemented to improve the cost structure in Environmental Technology and a successful development drive resulted in notable effects.

In their original forecast for the reporting year, the Executive Directors of Max Automation SE planned to leverage synergies between the Group companies and to accelerate internationalization in the Industrial Automation segment. In the Environmental Technology segment, the Executive Directors assumed that the segment would generate appropriate results based on the measures launched in 2016 to adjust capacity to market conditions, starting from a lower revenue basis. In view of these assumptions, the Executive Directors anticipated consolidated revenue of EUR 370 at minimum and consolidated EBIT before purchase price allocation (PPA) amortization within a range of EUR 22 million and EUR 25 million in the 2017 fiscal year.

Sources:
- German Engineering Federation (VDMA), press release, December 12, 2017
- German Engineering Federation (VDMA), Specialist Waste and Recycling Technology Association, press release, November 24, 2017
- German Engineering Federation (VDMA), Specialist Robotics and Automation Technology Association, press release, September 27, 2017
- German Automotive Industry Association (VDA), press release, December 6, 2017
- Spectaris, Specialist Medical Technology Association, press release, November 9, 2017

The MAX Automation Group closed the fiscal year with consolidated revenue of EUR 376.2 million, which was recorded at 11.6 % above the year-earlier figure of EUR 337.1 million. Earnings before interest and tax (EBIT) for the Group as well as from PPA amortization grew by an above average 28.0 % to EUR 22.2 million (previous year: EUR 17.4 million). For the purpose of managing and controlling the Group companies, PPA amortization of EUR 2.0 million was added to this figure (previous year: EUR 5.0 million). In addition, EBIT also includes expenses from currency effects of EUR 0.7 million (previous year: gains from currency effects of EUR 0.4 million). The EBIT margin (net of PPA) – in relation to total operating revenue – improved from 5.1 % to 6.0 %.

The consolidated order intake of the MAX Automation Group amounted to EUR 383.6 million in the year under review and therefore remained at a high level (previous year: EUR 395.7 million; –3.1 %). The consolidated order book position rose by 2.5 % to EUR 198.6 million as of December 31, 2017, which represents a new record level. The book-to-bill ratio came in at 1.02.

The net interest result rose by 11.0 % to EUR –3.2 million due to the increase in working capital above all in the second and third quarter in the context of pre-financing and the processing of the higher order book volume.

Consolidated equity had risen by 24.9 % to EUR 139.0 million by the end of 2017 owing to the high net profit and the successfully placed cash capital increase in the reporting year. The equity ratio stood at 43.0 %, well above the long-term targeted 30 % minimum, as before.

Net debt as of December 31, 2017 was scaled back significantly in line with planning and stood at EUR 47.1 million, down 32.6 % compared with the 2016 reporting date.

The Administrative Board of MAX Automation SE intends to enable shareholders to participate appropriately in the successful performance in the reporting year, following on from the reliable dividend policy in recent years. It plans to put a proposal to the Shareholders' General Meeting on May 18, 2018 to keep the 15 euro cents dividend per share for the fiscal year now ended (previous year: 15 euro cents). Because of the capital increase the total payout would therefore amount to EUR 4.4 million (previous year: EUR 4.0 million).

2.3 Particular events during the financial year

2.3.1 Presence expanded in North America

On January 3, 2017, MAX Automation AG reported that it had opened a location with MAX Automation North America Inc. in Atlanta, the capital of the US state of Georgia. The company operates as a platform (business hub) for several MAX Automation Group companies in the segment of Industrial Automation. From the Atlanta base, the Group companies serve customers above all in the Midwest in the automotive and medical technology sectors. MAX Automation is expanding its network with the new location to encompass the North American continent with presences in South Carolina, Oklahoma and Mexico.

2.3.2 Participating interest in ESSERT GmbH

In January 2017, MAX Automation AG completed its investment in ESSERT GmbH, a company based in Ubstadt-Weiher near Karlsruhe in Baden-Württemberg. With a stake of 44.5 %, increased to a majority position in

subsequent years on the basis of fixed options, MAX Automation is considerably enlarging its expertise in software development for Industry 4.0 applications as well as in collaborative robotics.

2.3.3 MA micro automation is expanding its presence in Asia

MAX Automation's Group company MA micro automation GmbH continued its expansion in May 2017 and established a new location in Singapore. The aim is to provide customers in the region of Asia with more direct and flexible service. The location will initially function as a service and sales office from where projects can also be managed in the Asian region. In future, the spare parts business for Asian customers is to be run from this location. Furthermore, there are plans to expand the location in order to be able to handle projects in their entirety on site.

2.3.4 Shareholders' General Meeting approves SE transformation

On June 30, 2017, the Shareholders' General Meeting of MAX Automation SE approved the plan on the transformation of MAX Automation SE into the established legal form of a European public company (Societas Europaea, SE) by a large majority. Through the transformation envisaged, the company is taking account of the growing significance of its international business activities. The legally effective implementation took place on February 8, 2018 (see Events after the reporting date). The articles of incorporation of MAX Automation SE included in the transformation plan provides for adjusting the dualistic management structure of the company comprising the Management Board and the Supervisory Board to accommodate the monistic management system consisting of an Administrative Board. The former Management Board members Daniel Fink and Fabian Spilker as well as the former Supervisory Board members Gerhard Lerch, Dr. Jens Kruse and Oliver Jaster were appointed as members of the first Administrative Board of MAX Automation SE. Moreover, according to the articles of incorporation, Messrs Fink and Spilker were elected Executive Directors responsible for heading up the company's operations in this capacity.

2.3.5 Group financing expanded

MAX Automation announced on July 31, 2017 that it had expanded its Group financing and, at the same time, renewed it until 2024. Accordingly, an agreement was reached to increase the syndicated loan concluded in 2015 by EUR 40 million to an overall volume of EUR 190 million. MAX Automation used the sustained favorable financing environment to increase the syndicated loan. The agreement with five partner banks, lead-managed by Commerzbank, includes improved terms and conditions and comfortable covenants. The syndicated loan primarily serves the financing of further internal and external growth in important future markets and therefore the implementation of "Strategy 2021".

2.3.6 Strategic acquisition in China

On August 2, 2017, MAX Automation announced that the Management Board had signed an investment agreement on the same day for the majority acquisition of the operations of the Chinese mechanical engineering company Shanghai Cisens Automation Co., Ltd. In a first step, a participating investment of 51 % was planned, with the option of purchasing the remaining shares in the coming years. For the purpose of implementation, Shanghai Cisens Automation's operations are to be integrated into a new company in the context of an asset deal. Roger Lee, the CEO and founder of the company, is to retain 49 % of the shares. The transaction volume for the acquisition will be in the lower double-digit range in millions of euros. The acquisition of 51 % of the shares is to have been completed by March 2018. Shanghai Cisens Automation

is a company specializing in industrial automation. The automotive industry is its largest customer group by far.

2.3.7 Cash capital increase successfully concluded

In mid-August 2017, MAX Automation successfully completed a cash capital increase under exclusion of subscription rights pursuant to Section 186 (3) Clause 4 of the German Corporation Act. The very keen demand of institutional investors exceeded the available volume of shares many times over. The issue price of the new common shares totaling 2,665,000 stood at EUR 7.00. Based on the cash capital increase, the share capital of MAX Automation rose by EUR 2,665,000, equivalent to 10 %, to EUR 29,459,415. Overall, the company received gross funds, in other words, before deduction of transaction-related expenses, of EUR 18.7 million.

2.3.8 Strategic partnerships envisaged in Environmental Technology

At the end of September 2017, MAX Automation announced that it intended to expand the Environmental Technology segment in accordance with its medium-term "Strategy 2021". This strategic decision was predicated on an extensive analysis of the long-term market potential in the segment. The business is to be expanded both organically as well as in cooperation with strategic partners. MAX Automation intends to actively seize consolidation opportunities in the heterogeneous environmental technology sector with a view to continuing to benefit from the global growth drivers.

2.3.9 MAX Automation is extending its range of products and services in e-mobility

On December 19, 2017, MAX Automation announced that the Group company bdtronic was to take over 100 % of the shares in Italian mechanical engineering company R.C.M. Reatina Costruzioni Mecchaniche SRL (RCM) based in Rieti, Lazio region, from the owner families. The investment volume lay in the lower single-digit million euro range. RCM is a supplier specialized in solutions for mechanical manufacturing, assembly and engineering. The company commands special expertise in the production of impregnating systems for electric and hybrid power trains and has already worked together with bdtronic as a supplier for several years. RCM will operate as bdtronic Italia S.r.l. in the future. The location in Rieti is to be built up into a competence center for impregnating systems, and the supply chain sustainably simplified at the same time.

2.4 Group financial accounting and scope of consolidation

MAX Automation AG prepared its consolidated financial statements for the 2017 financial year according to International Financial Reporting Standards (IFRS). As a result, the company has been released from the obligation to prepare consolidated financial statements according to the requirements of the German Commercial Code (HGB). Previous year figures were also calculated according to IFRS.

Further information about the consolidation scope is presented in section 3.2 of the notes to the consolidated financial statements.

2.5 Order book position

The consolidated new order intake of the MAX Automation Group amounted to EUR 383.6 million in the year under review, thus remaining at a very high level. This corresponds to a marginal decline of EUR –12.1 million, or –3.1 %, compared with the record figure of 2016 (previous year: EUR 395.7 million).

The Industrial Automation segment reported order intake of EUR 290.7 million, following on from the high previous year's figure of EUR 300.7 million (-3 %). The segment once again reaped the benefit of the key drivers of growth in the automotive industry, including electromobility, the trend toward driver assistance systems, the multitude of varieties in automobile manufacturing, and the more stringent standards imposed on vehicle manufacturers in terms of CO_2 emissions. Business in medical technology that is benefiting from the demographic developments and from a general heightening of the population's awareness of health also developed well. For instance, the subsidiary MA micro automation acquired, among other things, a major order from a customer in this segment with a volume of around EUR 20 million.

By contrast, new orders of EUR 92.9 million in the Environmental Technology segment declined by 2.2 % compared with the previous year's figure (2016: EUR 95.0 million).

As of December 31 2017, the Group's consolidated order book position had increased by EUR 4.9 million, up 2.5 %, to EUR 198.6 million, thereby setting a new record level. The book-to-bill ratio, the ratio between new order intake and revenue, stood at 1.02 (previous year: 1.17).

In Industrial Automation, the order position increased by a further 3 % to EUR 168.8 million as of December 31, 2017 (December 31, 2016: EUR 164.1 million). In Environmental Technology, the order book position stood at EUR 29.7 million, unchanged from the previous year's reporting date.

2.6 Revenue and results of operations

The consolidated revenue of MAX Automation advanced considerably, by EUR 39.0 million, or 11.6 %, to EUR 376.2 million in 2017 (previous year: EUR 337.1 million). This growth resulted from an increase in the revenue of Industrial Automation. The export share of Group revenue declined slightly to 68.0 % compared with 69.7 % in the previous year. Business in Germany in the Environmental Technology segment grew in comparison with the previous year, albeit with a slight slowdown in business in other European countries. Overall, North America was the Group's most important foreign market in the reporting year.

The total operating revenue of the MAX Automation Group increased by EUR 37.5 million, or 10.9 %, to EUR 380.3 million (previous year: EUR 342.8 million). This figure included changes in inventory of EUR 1.7 million (previous year: EUR 2.6 million) and other work performed by the company and capitalized of EUR 2.4 million (previous year: EUR 3.1 million).

Other operating income dropped to EUR 7.2 million compared with EUR 9.8 million in the previous year. Among other factors, the decrease was attributable to lower income from currency differences. This declined to EUR 1.3 million compared with EUR 2.4 million in the previous year (see explanations on other operating expenses below). In addition, a book gain of EUR 1.7 million from the disposal of the investment property in Dettenhausen was also included in the previous year.

Due to the lower level of total operating revenue, the cost of materials declined from EUR 175.6 million to EUR 196.3 million (11.8 %). The cost of materials ratio – in relation to total operating revenue – stood at 51.6 %, only marginally higher than the year-earlier level of 51.2 %.

Personnel expenses rose by 5.4 % to EUR 112.3 million, up from EUR 106.6 million, due to hiring new staff in the high-growth segments and general increases in wages and salaries. In relation to total operating revenue, however, the personnel expenses ratio improved by 1.6 percentage points, from 31.1 % to 29.5 %.

Depreciation and amortization amounted to EUR 8.7 million, which is significantly below the previous year's level of EUR 12.0 million. This figure includes PPA amortization of EUR 2.0 million (previous year: EUR 5.0 million).

Other operating expenses increased from EUR 46.0 million to EUR 49.8 million (8.3 %). Expenses from currency differences of EUR 2.0 million remained at the year-earlier level (previous year: EUR 2.0 million). The net balance of currency effects consequently amounted to EUR –0.7 million, compared with EUR +0.4 million in the previous year. In relation to total operating revenue, this reflects a slightly lower expense ratio of 13.1 % (previous year: 13.4 %).

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) increased strongly by EUR 4.4 million, or 18.2 %, to EUR 28.9 million (previous year: EUR 24.4 million).

Consolidated earnings before interest and tax (EBIT) increased by more than two thirds to EUR 20.2 million (previous year: EUR 12.4 million; 63.0 %). For the purpose of managing the Group companies, PPA amortization was added back to EBIT.

In fiscal 2017, PPA amortization declined significantly, from EUR 5.0 million in 2016 to EUR 2.0 million in line with planning. PPA amortization arises mainly from the acquisition of ELWEMA Automotive GmbH at the end of 2013 and of iNDAT Robotics GmbH in February 2015.

For the 2017 fiscal year, the MAX Automation Group reports consolidated operating earnings before interest and tax (EBIT), as well as before amortization relating to purchase price allocations (PPA amortization), of EUR 22.2 million, which is therefore around one third higher than the year-earlier figure (previous year: EUR 17.4 million; 28.0 %). The cost of materials ratio – in relation to total operating revenue – improved slightly from 5.1 % to 6.0 % year on year. EBIT per share before PPA amortization increased sharply to EUR 0.80 compared with EUR 0.62 in 2016 (including the effect from the capital increase).

The net interest result increased from EUR –2.8 million to EUR –3.2 million (11.0 %) due to the higher level of working capital, particularly in the second and third quarter, in the context of pre-financing and the processing of the high order book level.

Consolidated earnings before tax (EBIT) amounted to EUR 17.0 million in the reporting year, compared with EUR 9.5 million in the previous year (78.5 %).

The expense from income taxes climbed from EUR 1.2 million to EUR 2.9 million.

The Group reported a substantial increase of EUR 14.1 million in consolidated net income in 2017 (previous year: EUR 8.3 million; 69.4 %). This is equivalent to EUR 0.50 of earnings per share, after EUR 0.30 in the previous year.

2.7 Assets position

The MAX Automation Group reported total assets of EUR 323.3 million as of the December 31, 2017 balance sheet date, which is EUR 17.0 million, or 5.6 %, above the level on the previous year's reporting date (December 31, 2016: EUR 306.3 million).

Non-current assets rose by 0.8 % to EUR 111.1 million (December 31, 2016: EUR 110.2 million). Countervailing effects arose. As of December 31, 2017, intangible assets had fallen by EUR 1.7 million, from EUR 15.4 million to EUR 13.7 million, above all due to PPA amortization. Similarly, deferred tax assets declined by EUR 1.3 million to EUR 4.7 million due to the use of loss carryforwards (December 31, 2016: EUR 6.0 million). By contrast, the purchase of the shares in ESSERT GmbH resulted in an addition to equity shares (December 31, 2017: EUR 3.5 million).

Current assets grew by 8.2 % overall to EUR 212.3 million (December 31, 2016: EUR 196.2 million). Inventories climbed by 2.1 % to EUR 42.1 million (December 31, 2016: EUR 41.2 million). Trade receivables rose substantially by 14.1 % to EUR 138.3 million (December 31, 2016: EUR 121.2 million). This increase was primarily attributable to the lower level of prepayments received for long-term construction contracts (December 31, 2017: EUR 95.8 million compared with EUR 116.8 million in the previous year).

Other current assets declined by EUR 5.0 million to EUR 5.6 million (December 31, 2016: EUR 10.6 million). In the previous year, the purchase price receivable of EUR 4.3 million from the sale of the property in Dettenhausen, settled in the previous year, was also included.

Liquid assets of EUR 26.2 million were 13.6 % above the level on the previous year's reporting date (December 31, 2016: EUR 23.0 million).

Working capital increased to EUR 107.8 million due to growth and the pre-financing of operations (December 31, 2016: EUR 100.7 million).

2.8 Financial position

The equity of the MAX Automation Group stood at EUR 139.0 million as of December 31, 2017 (December 31, 2016: EUR 111.3 million; 24.9 %). The equity ratio of 43.0 % remained well above the targeted 30 % minimum (December 31, 2016: 36.3 %. The capital reserves rose to EUR 18.9 million due to the premium from the cash capital increase that took place in August 2017 (December 31, 2016: EUR 3.1 million). The revenue reserve climbed by 19.2 % to EUR 31.2 million.

Non-current liabilities totaled EUR 77.3 million (December 31, 2016: EUR 81.8 million; -5.4 %). Non-current bank borrowings stood at EUR 64.8 million (December 31, 2016: EUR 64.1 million; 1.2 %). The other non-current financial liabilities declined from EUR 2.2 million to EUR 1.8 million, above all through the reduction of leasing liabilities. As a result of releasing goodwill, deferred tax liabilities declined significantly to EUR 8.2 million compared with EUR 13.2 million as of December 31, 2016.

Current liabilities dropped overall by 5.6 % to EUR 107.0 million (December 31, 2016: EUR 113.3 million). Trade payables rose from EUR 61.8 million to EUR 72.6 million (+17.5 %), which reflects a higher level of prelimi-

nary work performed by suppliers for long-term construction contracts that have been started. Current bank borrowings declined by -70.8 % to EUR 8.4 million due to the repayment of drawdowns on the syndicated loan and the reclassification of a long-term portion (December 31, 2016: EUR 28.8 million). Other current financial liabilities increased marginally by 5.1 % to EUR 12.9 million (December 31, 2016: EUR 12.3 million). Income tax provisions and liabilities climbed to EUR 4.7 million (December 31, 2016: EUR 2.0 million), which was also attributable to the formation of a provision for the new BMF circular on Section 8c German Corporation Tax Act (KStG) issued at the end of December.

Gross debt (current non-current bank borrowings) amounted to EUR 73.3 million as of December 31, 2017, which is considerably below the level of EUR 92.9 million posted on December 31, 2016 (–21.1 %).

Net debt was reduced by around a third to EUR 47.1 million in line with planning (December 31, 2016; EUR 69.9 million; –32.6 %).

2.9 Liquidity trends

In 2017, the MAX Automation Group reports a cash outflow from operating activities of EUR 18.7 million, compared with a cash inflow of EUR 15.9 million in the previous year.

Investing activities generated a EUR 6.5 million cash outflow (previous year: EUR 9.0 million). Of this amount, EUR 7.8 million is attributable to investments in non-current assets. This was offset by EUR 0.9 million in cash inflows from disposals, mainly of property, plant and equipment.

The cash outflow from financing activities stood at EUR 8.4 million (cash inflow in the previous year: EUR 26.4 million), mainly due to the repayment of a drawdown on the syndicated loan.

The total cash flows generated cash and cash equivalents of EUR 26.2 million as of the end of the 2017 reporting period, compared with EUR 23.0 million at the start of the reporting period.

2.10 Segment reporting

MAX Automation SE and its specialist Group companies offer their customers technologically complex and innovative components and systems solutions with a view to accommodating the increasingly sophisticated demands made on efficiency and flexibility in automation and the advancing networking in industrial production. The companies concentrate on solutions for specific industries and leverage numerous synergy effects within the Group.

In the Industrial Automation segment, MAX Automation companies develop machines and systems, along with the associated software, to deliver precision to the highest degree in their customers' production processes. Key sectors include the automotive industry, medical technology and the electronics industry. The Group companies are positioned as reliable and expert partners for their customers and enable them to constantly adapt their products to changing market requirements and to optimize their processes. The products and services of the subsidiaries encompass the development and production of holistic assembly systems, among other things, including integrating robotics solutions as well as creating control and maintenance software.

In the Environmental Technology segment, the Group company Vecoplan with its subsidiaries deploys its special expertise to develop machines and systems that contribute to the sustainable utilization of finite raw materials. The service range entails the efficient reprocessing of raw and residual materials to be returned to the materials cycle, or as replacement fuels for energy utilization. The Vecoplan Group also develops and produces services and products to comply with globally more stringent emission protection requirements.

2.10.1 Industrial Automation segment key figures

In 2017, the Industrial Automation segment followed on from the successful development in the previous year and increased its key indicators, in some cases considerably. By the end of the reporting year, the segment had achieved a new record for its order book position. The gratifying development of business, particularly from collaboration with the automotive industry, but also in the field of medical technology, boosted demand that rose sharply for high quality automation solutions and the associated services. The Group companies succeeded in this context in expanding business relationships with existing customers and acquiring new customers.

The Group company iNDAT Robotics ramped up its capacities in May 2017 with the aim of improving production processes and with a view to implementing its growth plans. The company relocated to a new site at headquarters in Ginsheim-Gustavsburg, in the Federal State of Hesse. iNDAT now has access to considerably larger production and warehouse facilities as well as premises with a modern fit-out for its administration.

Moreover, as a result of restructuring within the Group, iNDAT Robotics was taken out of the NSM Magnettechnik Group and integrated into MAX Management GmbH with retrospective effect as of January 1, 2017.

More information concerning the Group companies can be found in the section on Particular events during the financial year.

All in all, the segment continued to benefit from the main growth drivers in its respective markets. This includes electromobility in the automotive industry, the reduction of CO_2 emissions of vehicles and the increasing demand for driver assistance systems, as well as the population's generally heightened awareness of health, alongside demographic trends.

Along with operations, the Group companies continued to focus on optimizing their corporate structures and internal processes. Key areas in this context concerned the joint utilization of service locations and collaboration on specific projects in terms of know-how transfer.

Industrial Automation segment – key figures

The Industrial Automation segment generated a consolidated order intake of EUR 290.7 million in the 2017 fiscal year (previous year: EUR 300.7 million; –3.3 %).

The order book position stood at EUR 168.9 million as of December 31, 2017, marking a new record (December 31, 2016: EUR 164.1 million; 2.9 %). The book-to-bill ratio stood at 1.01 on December 31, 2017 (December 31, 2016: 1.25).

The segment's revenue developed dynamically in 2017, rising by EUR 46.6 million, or 19.4 %, to EUR 286.4 million (previous year: EUR 239.8 million). Of the segment revenue, 64.3 % was attributable to exports, compared with 62.3 % in the previous year (2 percentage points).

EBITDA rose markedly to EUR 24.7 million compared with EUR 21.5 million in the previous year.

Segment operating earnings before interest and tax (EBIT), as well as before PPA amortization, posted above-average growth to EUR 19.8 million in relation to revenue (previous year EUR 16.8 million; 17.5 %). The EBIT margin – in relation to total operating revenue – amounted to 6.9 % (previous year: 6.8 %).

The segment result net of PPA amortization came in at EUR 18.1 million, which reflects an increase of 41.5 % in a year-on-year comparison (previous year: EUR 12.8 million).

The number of employees in the Industrial Automation segment stood at 1,194 individuals on a year-average basis in 2017 (excluding trainees). The segment employed an average of 1,131 staff in the previous year (5.5 %).

Industrial Automation segment key figures

	2017 EUR mill.	2016 EUR mill.	Change in %
New order intake	290.7	300.7	–3.3
Order book position[1]	168.9	164.1	2.9
Segment revenue	286.4	239.8	19.4
– of which from abroad	184.1	149.4	23.2
EBITDA	24.7	21.5	15.0
Segment EBIT before PPA amortization	19.8	16.8	17.5
Segment EBIT after PPA amortization	18.1	12.8	41.5
Employees (numbers)[2]	1,194	1,131	5.5

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

2.10.2 Environmental Technology

In the Environmental Technology segment that is represented by the Vecoplan Group within the MAX Automation Group, the measures aimed at improving the cost structure and initiated in the previous year continued in 2017. The segment succeeded in raising profitability substantially against the backdrop of an unchanged business volume and in responding rapidly to the typical volatility in the environmental technology markets. The segment reported a pleasing recycling business in important markets, including the USA. Performance was supported by a revitalized and streamlined product portfolio in the context of successful development activity. Furthermore, the service business was also extended.

MAX Automation extensively analyzed the market opportunities in the field of environmental technology in the year under review. As a result, the segment enjoys good opportunities for creating added value for customers, employees and shareholders. In order to actively seize consolidation opportunities in the heterogeneous environmental technology sector while continuing to benefit from the global growth drivers, such as the general public's heightened awareness of the environment and the increasingly stringent political regulations

placed on environmental protection, MAX Automation is planning to expand the segment. The market position of Environmental Technology is to be enhanced through a strategic partnership. The expansion envisaged reflects the medium-term "Strategy 2021" approved for the MAX Automation Group.

Environmental Technology segment key figures

The Environmental Technology segment recorded a consolidated order intake of EUR 92.9 million in the 2017 financial year, which is slightly less than in the previous year (previous year: EUR 95.0 million; –2.2 %). The order book position amounted to EUR 29.7 million as of December 31, 2017, and therefore also remained at the year-earlier level (December 31, 2016: EUR 29.7 million). The book-to-bill ratio stood at 1.04 on December 31, 2017 (December 31, 2016: 0.98).

The segment's revenue dropped to EUR 89.4 million (previous year: EUR 97.4 million; –8.1 %). The export share stood at 80.0 % compared with 87.8 % in 2016.

EBITDA doubled, from EUR 4.1 million to EUR 8.2 million in the reporting year (97.6 %).

The segment's earnings before interest and tax (EBIT) net of PPA amortization rose almost fourfold, from EUR 1.8 million to EUR 6.5 million, thanks to improvements to the cost structure in response to market conditions. Following a successful development initiative, the revitalized product portfolio and the extended service business contributed to raising gross profit. The EBIT margin – in relation to total operating revenue – amounted to 7.1 % (previous year: 1.9 %; +5.2 percentage points).

Segment EBIT after PPA amortization amounted to EUR 6.5 million (previous year: EUR 1.3 million).

In its Environmental Technology segment, the MAX Automation Group employed an average of 374 staff in 2017 (excluding trainees), 38 individuals fewer than in the previous year (412 persons). The difference resulted from the aforementioned measures aimed at improving the Vecoplan Group's cost structure.

Environmental Technology segment key figures

	2017 EUR mill.	2016 EUR mill.	Change in %
New order intake	92.9	95.0	–2.2
Order book position[1]	29.7	29.7	0.1
Segment revenue	89.4	97.4	–8.1
– of which from abroad	71.6	85.5	–16.2
EBITDA	8.2	4.1	97.6
Segment EBIT before PPA amortization	6.5	1.8	268.6
Segment EBIT after PPA amortization	6.5	1.3	417.1
Employees (numbers)[2]	374	412	–9.2

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

2.11 Change in financial performance indicators

In 2017, the MAX Group reported the following changes to key indicators that are applied as financial performance indicators.

	2016 EUR mill.	2015 EUR mill.	Change in %
New order intake	383.6	395.7	–3.1
Order book position[1]	198.6	193.8	2.5
Working capital	107.8	100.7	7.1
Revenue	376.2	337.1	11.6
EBITDA	28.9	24.4	18.2
EBIT before PPA amortization	22.2	17.4	28.0
EBIT after PPA amortization	20.2	12.4	63.0
Return on sales (as % of total operating revenue, before PPA amortization)	5.9 %	5.1 %	+0.8 (% points)
Equity ratio (in %)	43.0 %	36,3 %	+6.7 (% points)
Workforce headcount	1,796	1,751	2.5
– of whom trainees	147	139	5.8
Workforce headcount (weighted average)	1,700	1,677	1,4
– of whom trainees	125	128	–3

[1] As of 31. December

Non-financial performance indicators are not utilized for internal Group steering. For the forecast horizon, primary recourse is made to relevant indicators from the statement of comprehensive income.

3. Investments

The MAX Group invested EUR 7.7 million in non-current assets in the 2017 fiscal year compared with EUR 8.8 million in 2016. The investments in the reporting year pertained above all to IT and the development of technologies and products, the extension and conversion of buildings used for business purposes as well as to technical systems and machinery.

The segment report in this annual report provides more detailed information about investments in the operating segments.

4. Personnel report

As in previous years, in 2017 the MAX Automation Group with its Group companies followed the principle of appropriately adapting its personnel base to business growth and development only after other options have been exhausted.

The Group employed a total of 1,796 staff, including trainees, as of the December 31, 2017 reporting date (December 31, 2016: 1,751 employees; +2.5 %). The average number of employees, including trainees, increased by 26 individuals, or 1.7 %, from 1,549 to 1,575.

Employees of the Group companies and of the holding company represent a key resource for the success and profitability of the company's business. MAX Automation consequently pursues the objective of creating attractive possibilities for further professional development for expert and committed staff. For instance, an intensive training course for managers was launched Groupwide at the end of 2017. More than 50 members of managerial staff took part or will take part in this training. The Groupwide personnel policy comprises high training standards, as well as the promotion and long-term retention of committed employees. In addition, MAX Automation also factored in the greater need for qualified engineers and software development.

5. MAX Automation SE

The separate annual financial statements of MAX Automation SE were prepared according to the regulations of the German Commercial Code (HGB). The regulations of the German Stock Corporation Act (AktG) were also complied with. The separate annual financial statements were prepared in accordance with regulations for large corporations.

5.1 Results of operations and application of earnings

The results of operations of MAX Automation SE depend to a high degree on the development in its subsidiaries' earnings. Control and profit transfer agreements were concluded in 2008 with four Industrial Automation subsidiaries. The control and profit transfer agreement with Mess- und Regeltechnik Jücker GmbH was cancelled effective as of December 31, 2016 as were the remaining control and profit transfer agreements effective as of December 31, 2017. New control and profit transfer agreements are due to be concluded in 2018. Dividend payments from other subsidiaries to the parent company are realized depending on their results, and take the subsidiaries' future investment requirements into account.

Section 2.10 Segment reporting describes the development in the subsidiaries' results of operations. The following figures are based on the earnings of MAX Automation SE according to the principles of the German Commercial Code.

MAX Automation SE recorded income from participating interests of EUR 14.6 million in the 2017 financial year (previous year: EUR 16.0 million) which resulted from the profit transfers and dividend payments of the subsidiaries.

Revenues generated with affiliated companies, which mainly include costs transferred within the Group as well as the allocation of costs for the centralized purchasing of goods and services, totaled EUR 1.9 million (previous year: EUR 0.6 million).

Other operating income included a EUR 2.2 million gain on the disposal of part of the company property in Dettenhausen in the previous year (at Group level in line with IFRS: EUR 1.7 million).

Other operating expenses in the previous year included the EUR 4.3 million loss incurred on the merger of altmayerBTD GmbH & Co. KG.

The balanced net interest result in the previous year improved substantially from EUR –0.03 million to EUR +0.4 million. This mainly includes expenses for the syndicated loan as well as interest income generated with affiliated companies.

The company reports earnings before tax of EUR 10.7 million, compared with EUR 10.9 million in the previous year. The tax expense amounts to EUR 3.4 million (previous year: EUR 2.8 million).

Net income for the year stands at EUR 8.2 million (previous year: EUR 8.1 million). An amount of EUR 4.0 million was paid out in dividends from the previous year's unappropriated retained earnings.

The Executive Directors and Administrative Board propose distributing a dividend of EUR 0.15 cents per share for the 2017 financial year from the unappropriated retained earnings.

5.2 Net assets and financial position

The total assets of MAX Automation SE amounted to EUR 207.0 million on the December 31, 2017 balance sheet date. This corresponds to an increase of EUR 33.2 million compared with the previous year's reporting date (EUR 173.8 million), arising from the increase in intercompany financing.

Receivables and other assets rose from EUR 81.4 million to EUR 106.7 million. This includes EUR 86.2 million from receivables due from subsidiaries deriving from the syndicated loan (previous year: EUR 57.8 million). In order to optimize interest rates, liquid assets were reduced to almost EUR 0 million (after EUR 2.9 million in the previous year). At the same time, credit drawdowns from the syndicated loan were reduced.

MAX Automation SE reports EUR 114.3 million in equity as of December 31, 2017 (previous year: EUR 91.5 million). The equity ratio stood at 55.2 % (December 31, 2016: 52.7 %).

Bank borrowings reduced to EUR 62.3 million, compared with EUR 74.5 million as of December 31, 2016. Liabilities due to subsidiaries from assets at MAX Automation SE totaled EUR 22.5 million as of December 31, 2017, following EUR 4.3 million in the previous year.

The financial position and performance of MAX Automation SE are in an orderly condition.

6. Non-financial Group declaration in accordance with Section 315b of the German Commercial Code (HGB)

Practicing responsibility

As a high-tech supplier to the mechanical engineering sector, the MAX Group holds responsibility in Germany, Europe and throughout the world. MAX Automation firmly believes that responsibility and long-term success go hand in hand. In the interests of its stakeholders, MAX Automation SE views profitable and long-term growth as its way of acting and operating responsibly for future generations.

The MAX Automation Group's commitment to sustainability primarily covers three areas: Environment, personnel and compliance.

MAX Automation takes environmental responsibility

Sustainability as a growth driver

The protection of the environment and climate is one of the major challenges of the present day. Due to the fact that natural resources are becoming increasingly scarce, while the global population and consumption are growing, the demands made on the use of natural resources are constantly rising. Sustainability has developed into a growth driver which is playing an increasingly important role in purchasing decisions. The MAX Group positioned itself at an early stage in the future markets which are dominated by sustainable environmental trends. These include reducing CO_2 emissions, boosting resource efficiency and offering products which combine environmental progress with economic success.

Innovative environmental technology for effective residual waste recycling and treatment

In the Environmental Technology segment, the MAX Group develops components and systems to effectively recycle and process waste materials. This includes, for instance, systems for opening the yellow sack recycling bag. This is no trivial process as the bags have to first be opened without damaging the contents. Our design and construction allows the careful shredding of the bags as well as other bags contained within them. This makes the material easily sortable for downstream processes. This system harnesses a so-called HiTorc motor with direct power transmission instead of using a clutch or transmission. As a result, its energy requirements are a third of those previously required for this process.

Effective shredding and cleaning of plastic waste

The MAX Group's innovative environmental technology includes shredders for all plastic materials. With the help of the latest shredding technology, a wide variety of inputted plastic becomes high-quality, homogeneous output. The shredders can be easily integrated into existing systems and stand out thanks to their particularly low energy consumption and high level of efficiency.

Moreover, the MAX Group offers a system which completely dispenses with the use of chemicals for the process of cleaning plastic waste. The VecoDyn technology consumes substantially less energy than the conventional process and also automatically treats the waste water created within a closed system.

Efficient impregnation process for electromobility

The MAX Group has developed a good-value process of efficiently impregnating stators. The stator is a component within the electric motor which is responsible for generating electricity and therefore of vital importance for electromobility. Every stator has to be protected against outside influences like moisture through impregnation. As part of this process, polyester resin is drizzled onto the pre-warmed, rotating stator. Conventional methods dip the stator into an impregnating bath. The process developed by the MAX Group is quicker and cheaper than any other as it prevents material losses during the draining-off phase. No post-processing of any kind is required either. As a result, MAX Group customers can produce stators rapidly and efficiently and therefore push forward the development of e-mobility.

Water-saving steam cleaning

Another prime example of the development and production of sustainable products is steam cleaning for engine and transmission production. This process technology, which can be integrated into automated produc-

tion lines in vehicle construction, fulfills the highest cleaning and environmental standards in the automotive industry. It is also a significant step forward compared to conventional processes from an environmental point of view. Steam cleaning allows water consumption savings of 95 %, it also requires substantially less space and is some 50 % less costly than conventional technologies.

MAX Automation is committed to responsible business practices

Operating with integrity

MAX Automation is synonymous with responsible and legally compliant actions in every respect. All MAX employees are obligated to adhere to the legal framework and internal guidelines, and conform to the rules governing the business environment. For the MAX Group, this means basing all actions at all times on the applicable legal standards for the location in question. Legal infringements are not tolerated. This compliance strengthens the trust of our customers, shareholders and employees as well as that of the public in our products and services, in our independence and in our integrity.

Compliance as the basis for our code of conduct

Compliance encompasses much more than adhering to legislation and internal regulations. It forms the basis for our decision-making and corporate activities. Compliance is embedded within the business processes of MAX Automation. Among other things, this includes informing our customers around the globe about our principles. Our aim is to anchor responsible behavior permanently within the mindset and actions of the entire workforce in the form of a code of conduct. Key provisions are compiled in a compliance guideline applicable Groupwide, which is mandatory for all MAX Group employees. Questionable actions or infringements can be reported either anonymously via the whistleblowing reporting feature on the MAX website or directly communicated to the responsible compliance officer.

Fair competition

We are convinced that compliance can directly and sustainably contribute to the development of companies and countries. Preventing corruption is an important cornerstone of this, for instance. In this context, the MAX Group is committed to practicing fair competition in a full and unqualified way. We only compete based on value for money and the quality of our products and services. Adherence to all laws and regulations for avoiding unfair competition is an integral component of our business policy.

Ban on child labor and forced labor

The MAX Group complies with the ban on child labor in line with the standards of the International Labour Organization (ILO).

Nobody may be employed against their will or forced to work. The MAX Group does not make use of forced or compulsory labor.

MAX Automation takes responsibility for its employees

Sustainable and forward-looking HR approach

Motivated, qualified and committed employees are the key to our success. It is our responsibility to ensure

that they do a good job with us, and that they enjoy working at our company, ideally in the long term. Attracting, developing and retaining top-notch employees is therefore top priority for us. We aim to be perceived as an attractive employer. We provide a pleasant working environment in which our employees are treated fairly. Equality and equal opportunities are fundamental principles of the way we work together. We pay attention to striking the right work-life balance and offer flexible working hours.

The rapid pace of change in our markets demands the continuous improvement of our processes and products, a challenge we tackle with tailored qualification and training offers for our staff. In this way we specifically prepare our employees for the new market developments and changes ahead.

Unwavering support for young talent

We view the training of young people as part of our social responsibility. Many of the MAX companies are important training companies within their respective region. This enables us to fill vacant positions with qualified personnel from within our own ranks. Students can write their bachelor's and master's thesis with us or do internships in order to familiarize themselves with the various careers and tasks on offer. In addition, at several sites, we offer the option of a dual study program with us, including in the fields of mechanical engineering, electrical engineering and business administration.

The safety of employees is paramount

High occupational and plant safety and therefore the protection of our employees is the absolute highest priority at the MAX Group. An attractive and healthy working environment is a vital prerequisite for committed employees. We adhere to occupational safety regulations and encourage safety-concious behavior among our workforce. Regular training courses on occupational safety are conducted at our companies. As part of various TÜV/ISO certifications awarded to our subsidiaries, measures were determined which safeguard the safety of our workforce in the workplace. Following their implementation, these measures are regularly checked and amended if required.

Principles of working together

The MAX Group sets great store by good teamwork, mutual politeness and fairness in dealing with each other. Respect for the private space and dignity of others is essential for a good working environment.

A good working climate is, in turn, essential for the success of the MAX Group. Loyalty, mutual support, respect, appreciation, openness and fairness are key pillars of our ethics in the workplace.

Diversity and appreciation

The individuality of employees in the MAX Group significantly contributes to the corporate culture as well as to maintaining a good climate at work. The corporate culture is built on appreciation. Different religious beliefs, sexual orientations or ideological views are treated with respect.

Discrimination is fundamentally at odds with the fundamental values of the MAX Group. Every form of discrimination, whether relating to employees or third parties, is therefore prohibited. Discrimination means any distinction, exclusion or preference that limits equal treatment or access to work and employment, and that can possibly be based on skin color, gender, religion, political views, age, national, social or ethnic background,

family responsibilities or similar considerations. The MAX Group is also committed to providing workplaces which are free of any type of harassment and bullying.

7. Events after the reporting date

7.1 Andreas Krause succeeds Fabian Spilker as Chief Financial Officer

On February 2, 2018, MAX Automation announced that Andreas Krause (49) has been named as an Executive Director of the company effective as of March 1, 2018. He is taking over the function of the Chief Financial Officer Fabian Spilker (44), who is stepping down from his position as CFO on March 31, 2018 and will step down from his position as an Executive Director after the Shareholders' General Meeting on May 18, 2018. He will support his successor in the handover of tasks. Andreas Krause has over 20 years' experience in mechanical engineering, energy and automation technology. Since 1998, he has held various finance management roles within the ABB Group, most recently as CFO of ABB South Africa.

7.2 MAX Automation completes its transformation into a European company

On February 9, 2018, MAX Automation announced that the company's transformation into the established legal form of a European public company (Societas Europaea – SE) had been completed with the entry into the commercial register. The high-tech mechanical engineering specialist has therefore now implemented the Shareholders' General Meeting's resolution from June 30, 2017. The change in legal form reflects the growing importance of the Group's global business activities in Europe, China and the USA. MAX Automation SE's articles of incorporation stipulate a change from the company's former two-tier management structure of a Management Board and a Supervisory Board to the globally standard one-tier management system with an Administrative Board. The Executive Directors are responsible for operating business (see section 2.3, Particular events during the financial year).

You will also find more information in the Events after the reporting period section of the notes to the consolidated financial statements.

8. Disclosures pursuant to Section 315a (1) and Section 289a (1) of the German Commercial Code (HGB) (also: Explanatory Report of the Administrative Board pursuant to Section 22 (6) of the Statute for a European Company ["SE Regulation", SEAG] in connection with Section 176 (1) Clause 1 of the German Stock Corporation Act [AktG])

Pursuant to Section 315a (1) of the German Commercial Code (HGB), parent companies that are stock exchange-listed are obligated to disclose in the Group management report information of relevance to corporate takeovers, such as the composition of capital, shareholder rights and shareholder right limitations, shareholder relationships, and corporate governing bodies.

Companies whose voting-right-entitled shares are listed on an organized market within the meaning of Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG) must make such disclosures irrespective of whether a takeover offer has been submitted, or is expected. These disclosures are designed to allow potential bidders to gain an extensive view of the company, and alert them to any potential obstacles to takeover.

Pursuant to Section 22 (6) of the Statute for a European Company (SEAG) in connection with Section 176 (1) Clause 1 of the German Stock Corporation Act (AktG), the Administrative Board is also obligated to present an explanatory report relating to the disclosures to the Shareholders' General Meeting. The disclosures pursuant to Section 315a (1) and Section 289a (1) of the German Commercial Code (HGB) are summarized below together with the related explanations pursuant to Section 22 (6) of the Statute for a European Company (SEAG) in connection with Section 176 (1) Clause 1 of the German Stock Corporation Act (AktG).

a) Composition of subscribed share capital

The subscribed capital (share capital) of MAX Automation SE of EUR 29,459,415 is composed of 29,459,415 no par value ordinary shares, each of which grants the same rights and, in particular, the same voting rights. To this extent, each share grants one voting right. The shares are registered shares. No differing share classes exist. One ordinary share has a notional share in the issued share capital of EUR 1.00. The company currently holds no treasury shares. MAX Automation SE is listed on the stock market. As of April 1, 2015, the share of MAX Automation SE switched from the General Standard segment to the Prime Standard segment of Deutsche Börse AG. The bearer shares were converted into registered shares as of November 28, 2016. With a resolution of August 15, 2017, the Management Board completely made use of its authorization to increase the share capital by up to 10 % or EUR 2,665,000 against cash capital contributions excluding subscription rights (Approved Capital II). The capital increase was entered into the commercial register on September 7, 2017.

b) Voting right and transfer restrictions

The Administrative Board is aware of no restrictions relating to voting rights or the transfer of shares.

c) Shareholdings exceeding 10 % of the voting rights

According to the knowledge of the Administrative Board, and on the basis of disclosures submitted to the company in accordance with securities trading law and securities takeover law, one investment in the share capital of MAX Automation SE exists that exceeds 10 % of the voting rights. Orpheus Capital II GmbH & Co. KG, Hamburg, holds 34.92 % of the voting rights in MAX Automation SE. The voting rights are to be attributed to Mr. Oliver Jaster via Günther SE, Bamberg, Günther Holding SE, Hamburg, and Orpheus Capital II Management GmbH, Hamburg.

Further details relating to this matter can be found in the overview contained in the notes to the financial statements under the item "Shareholdings requiring mandatory reporting pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)".

d) Shares with special rights granting authorizations of control

No shares exist with special rights granting authorizations of control.

e) Voting right controls in the case of employee participation

The Administrative Board is not aware of employees who participate in the company's equity who do not directly exercise their rights of control.

f) Appointing and recalling Executive Directors and changing the articles of incorporation

MAX Automation SE has one or more Executive Directors; this applies irrespective of the amount of share

capital. The number of Executive Directors is set by the Administrative Board in accordance with the articles of incorporation. The appointment and recall of Executive Directors takes place in accordance with the legal provisions of Section 40 (1) Clause 1 and (5) Clause 1 of the Statute for a European Company (SEAG) in connection with Section 11 (2) and (4) of the articles of incorporation. With the exception of the court nomination of replacements, the Administrative Board has sole responsibility for the nomination and recall of Executive Directors.

The Administrative Board appoints Executive Directors for five years at the most. A repeated appointment for a maximum of five years is also permitted. The Administrative Board can appoint an Executive Director as Chairperson and an Executive Director as Deputy Chairperson of the Executive Directors.

In keeping with the suggestion of the German Corporate Governance Code, the maximum possible period of appointment of five years is not the rule in the case of first-time appointments. Pursuant to Section 11 (4) of the articles of incorporation, the appointment may only be revoked for good cause within the meaning of Section 84 (3) of the German Stock Corporation Act (AktG) or in the event of termination of the employment contract, for which a resolution of the Administrative Board is required by a simple majority of the votes cast.

In accordance with Art. 59 of the SE Regulation (SE-VO), Section 51 of the Statute for a European Company (SEAG) in connection with Section 17 (1) of the articles of incorporation, amendments to the articles of incorporation of MAX Automation SE require a majority of two thirds of the votes cast or a simple majority of the votes cast if at least half of the share capital is represented. In addition, pursuant to Section 179 (2) of the German Stock Corporation Act (AktG) in connection with Section 17 (1) Clause 3 of the articles of incorporation, a simple majority of the capital represented is required, unless a larger capital majority is required by law. If the entire share capital is not represented at the Shareholders' General Meeting, it is conceivable that a shareholder with a voting rights interest below 50 % could implement amendments to the articles of incorporation with its own votes. Pursuant to Section 17 (2) of the articles of incorporation, the Administrative Board is authorized to make amendments to the articles of incorporation that relate solely to wording. In all other matters, the statutory provisions of Arts. 57 and 59 of the SE Regulation (SE-VO), and Section 51 of the Statute for a European Company (SEAG) apply.

g) Powers of the Administrative Board to issue and buy back shares

Pursuant to Section 5 (7) of the articles of incorporation, the Administrative Board is authorized to increase the company's share capital once or on several occasions during the period until June 29, 2020, by up to a total of EUR 4,019,000.00 against cash capital contributions by issuing new ordinary registered shares (with voting rights) (Approved Capital I). The new shares are to be offered to shareholders for subscription, whereby indirect subscription rights in the meaning of Section 186 (5) Clause 1 of the German Stock Corporation Act (AktG) are satisfactory. The Administrative Board is nevertheless authorized to exclude fractional amounts from shareholders' subscription rights. The Administrative Board is also authorized to determine a commencement of dividend-entitlement that differs from the law, as well as further specifics of the implementation of capital increases from Approved Capital I. The Administrative Board is authorized to adapt the wording of the articles of incorporation after the full or partial implementation of the increase of share capital from Approved Capital I, or after the expiry the authorization period, in accordance with the scope of the capital increase from Approved Capital I. The company has not made any use of the authorization in accordance with Section 5 (7) of the articles of incorporation (Approved Capital I) to date.

h) Material agreement of the company in the case of a change of control

MAX Automation SE is a borrower of a syndicated loan facility. In the case of a change of control, the lender is entitled to demand a premature repayment of all drawdowns plus interest, commissions and all other amounts owed within 15 days. A change of control presupposes that an individual or group of individuals (with the exception of Mr. Oliver Jaster or companies in which he holds a majority stake) acting jointly directly or indirectly acquires 50 % or more of the shares and/or voting rights in MAX Automation SE; please refer to the information in section 4.2 (17) of the notes to the consolidated financial statements concerning the utilization of this loan. The company has entered into no other significant agreements that are subject to a change of control condition arising from a takeover offer.

i) Compensation agreements for a change of control

The company has entered into no agreements with either the Executive Directors or employees entailing the payment of compensation in the event of a takeover offer.

9. Corporate governance statement in accordance with Section 289f and Section 315d of the German Commercial Code (HGB)

In February 2018, the Administrative Board issued the corporate governance statement required pursuant to Section 289f and Section 315d of the German Commercial Code (HGB) and made it available on the Internet at www.maxautomation.com/en/investor-relations/corporate-governance/. The company has also published a corporate governance report in connection with the corporate governance statement. The corporate governance report is included within the 2017 Annual Report.

Dependency report

Declaration on the report of the Executive Directors on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act (AktG)

MAX Automation SE was a company dependent on Günther Holding SE, Hamburg, Germany, in the financial year 2017 within the meaning of Section 17 of the German Stock Corporation Act (AktG). As a result, the Executive Directors of MAX Automation SE prepared a report from the Executive Directors on relationships with associated companies in line with Section 312 (1) of the German Stock Corporation Act (AktG), and it contains the following concluding statement:

"We declare that in the transactions and measures stated in the report on relationships with affiliated companies from January 1 to December 31, 2017, the company received appropriate consideration for each transaction in accordance with the circumstances known to us at the time the transactions were carried out or measures were taken or omitted. To the extent that the company was disadvantaged by this, it was granted a legal claim to a sufficient advantage as compensation before the end of the 2017 financial year. The company has not been disadvantaged by taking or not taking measures."

10. Report on board members' compensation

10.1 Compensation of the Administrative Board

Along with reimbursement of their outlays, the Administrative Board Chairman receives EUR 120,000, the Deputy Administrative Board Chairman receives EUR 60,000, and the remaining Administrative Board members, with the exception of the Executive Directors, receive EUR 40,000 after the end of the financial year.

This resulted in the following compensation for the 2017 financial year for the individual Administrative Board members:

TEUR	Basic compensation		Consultancy services		Total	
	2016	2017	2016	2017	2016	2017
Gerhard Lerch	144	144	0	0	144	144
Dr. Jens Kruse	60	60	0	0	60	60
Oliver Jaster	40	40	0	0	40	40

The table above also includes TEUR 24 of compensation for Mr. Lerch for his Supervisory Board mandate at Vecoplan AG.

The Administrative Board members did not receive any loans or advances in the 2017 financial year.

10.2 Compensation report

The compensation system described in the following relates to the 2017 financial year and therefore to MAX Automation AG. However, even after the transformation into an SE became effective after it was entered into the commercial register entry of the company on February 8, 2018, it still applies for the Executive Directors.

The compensation scheme at MAX Automation SE is based on appropriateness and sustainability principles. The overall compensation level takes particular account of the tasks of the Management Board members, their personal contribution and performance, the company's financial and business position, the company's performance and future prospects taking into account the market environment as well as wage and salary structures within the company, and compensation at other companies of a comparable size and sector.

The Executive Directors' total compensation comprises fixed and performance-related components. The targets the Administrative Board sets as part of performance-based compensation components are to establish sustainable and long-term performance incentives to enhance the profitability and the value of the entire MAX Group and thereby generate added value for all stakeholders.

The compensation structure is based overall on sustainable corporate development. A significant proportion of overall compensation is attributable to fixed (basic) remuneration. Performance-based compensation components also include elements that are measured on the basis of performance over several years. Their proportion is becoming increasingly important due to the length of the measurement period with annual granting. The Executive Directors' employment contracts contain regulations whereby an appropriate reduction of compensation is permissible if the company's position deteriorates to the extent that continued granting of compensation would be inappropriate. The compensation regulations also include a cap both for the performance-based elements as well as for overall compensation.

The compensation elements that are not performance-based consist of basic compensation in the form of a fixed annual salary, which is paid out monthly pro rata, and ancillary benefits (including private company car use and insurance contributions). The performance-based compensation consists of one-year variable compensation (Short Term Incentive Plan "STIP") and multi-year variable compensation (Long Term Incentive Plan "LTIP"). STIP is granted annually and LTIP after the expiry of the respective term of four years.

Payment of the STIP is tied to achieving financial performance targets relating to the respective financial year. The Administrative Board has set the target amount (amount paid out given 100 % target attainment) of the STIP as a percentage of the fixed annual salary. When determining the target amount, the Administrative Board took into consideration the Executive Directors' tasks and performance, and these factors' effects on the value chain, among other aspects. The performance targets relate to EBIT after PPA amortization (in other words, after applying amortization deriving from the purchase price allocation) as well as RoCE (Return on Capital Employed), and both on a consolidated basis. The Administrative Board sets the targets at the start of the financial year, including minimum levels under which no payment is made, and maximum values where the amount paid out is capped at 150 % of the target if they are reached or exceeded. To this extent, the payout ranges between 0 % and 150 % of target.

A payout from the LTIP is tied to the attainment of financial performance targets that are measured over a four-year period, starting with the financial year when the respective tranche is granted. The Administrative Board has set the target amount (amount paid out given 100 % target attainment) of the LTIP as a percentage of the fixed annual salary, as is the case with the STIP. When determining the target amount, including for the LTIP, the Administrative Board took into consideration the Executive Directors' tasks and performance, and these factors' effects on the value chain, among other aspects. The performance targets relate to sales revenue growth as well as a so-called "MAX Added Value", which takes into account the RoCE (Return on Capital Employed), WACC (Weighted Average Cost of Capital) and level of capital employed, and in each case on a consolidated basis. The Supervisory Board sets the targets at the start of the first financial year of the four-year period, including minimum levels under which no payment is made, and maximum values where the amount paid out is capped at 150 % of the target if they are reached or exceeded, as with the STIP. With the LTIP, too, the payout consequently ranges between 0 % and 150 % of the target. The term and measurement period for the LTIP tranche granted for the 2017 financial year comprise the 2016 to 2019 financial years as well as the financial years 2017 to 2020. As the payment amount is not determined until the end of the respective tranche, it is granted in the last year of the respective tranche.

None of the Executive Directors or staff have been granted stock options or similar securities-based incentive schemes.

In the case of early termination of a contract, the Executive Directors receive a severance payment to settle their salaries equivalent to the pro rata annual fixed salary for three months, albeit to a maximum of the pro rata value of their compensation claims for the residual term of their employment contracts. Entitlements to such severance payments do not exist if the company is entitled to terminate a contract with good justification, or if the Executive Directors stepped down from office without a good justification for which

the company is responsible. The service contracts do not include any commitments especially for the case of early termination of Executive Director employment due to a change of control.

The company has not issued any pension commitments to the current Executive Directors. Neither do any pension commitments exist in relation to the former Management Board members of the AG company. Accordingly, the company has not needed to form any provisions for these.

The following amounts were granted to the Executive Directors of MAX Automation SE in the 2017 financial year:

TEUR	Daniel Fink Executive Director (CEO)			
	2016	2017	2017 (min)	2017 (max)
Fixed compensation	240	320	320	320
Ancillary benefits*	24	33	33	33
Total	**264**	**353**	**353**	**353**
One-year variable compensation	0	31	0	315
Multi-year variable compensation	./.	./.	0	233
– of which 2016 to 2019 program[1)]	./.	./.	./.	./.
– of which 2017 to 2020 program[2)]	./.	./.	0	233
Total	**264**	**384**	**353**	**901**
Pension expense	0	0	0	0
Total compensation	**264**	**384**	**353**	**901**

*Ancillary benefits notably included private company car use, insurance contributions and residential rental subsidies.
1) Final calculation, granting and payout in 2021
2) Final calculation, granting and payout in 2021

TEUR	Fabian Spilker Executive Director (CFO)			
	2016	2017	2017 (min)	2017 (max)
Fixed compensation	220	220	220	220
Ancillary benefits*	21	22	22	22
Total	**241**	**242**	**242**	**242**
One-year variable compensation[3)]	0	20	0	210
Multi-year variable compensation[3)]	./.	./.	0	150
– of which 2016 to 2019 program	./.	./.	./.	./.
– of which 2017 to 2020 program	./.	./.	0	150
Total	**241**	**262**	**242**	**602**
Pension expense	0	0	0	0
Total compensation	**241**	**262**	**242**	**602**

* Ancillary benefits notably included private company car use and insurance contributions.
3) Offsetting with other compensation components on leaving the company in 2018

The following amounts and figures were granted to the individual Executive Directors of MAX Automation SE in the 2017 financial year:

TEUR	Daniel Fink Executive Director (CEO)		Fabian Spilker Executive Director (CFO)	
	2016	2017	2016	2017
Fixed compensation	240	320	220	220
Ancillary benefits*	24	33	21	22
Total	**264**	**353**	**241**	**242**
One-year variable compensation	0	0	159	0
Multi-year variable compensation	0	0	0	0
Total	**264**	**353**	**400**	**242**
Pension expense	0	0	0	0
Total compensation	**264**	**353**	**400**	**242**

* Ancillary benefits notably included private company car use, insurance contributions and residential rental subsidies.

The Executive Directors did not receive any loans or advances in the 2017 financial year.

Former Management Board members of the AG company or their dependents did not receive any payments in the 2017 financial year.

11. Risk report

11.1 Risk management and internal controlling system

Application area

The Management Board in 2000 introduced a risk management system (RMS) Groupwide that complies with the German Act concerning Corporate Control and Transparency (KonTraG). This allows potential risks to be identified promptly, and countermeasures to be introduced at MAX Automation SE as the parent company as well as at its operating units. The risk management system underwent a deep overhaul in 2009 and has since been adapted continuously to meet new requirements. In the reporting year 2017, although the underlying structure remained unchanged, it was updated to ensure that new developments were taken into account.

Targets and principles

Risk management (RMS) at the MAX Automation Group aims to handle risks in a controlled manner. The RMS is based on a systematic process of risk identification, evaluation, and management that spans the entire Group. The risk management system is based on the principle of securing medium and long-term corporate objectives, particularly the preservation and expansion of the company's market position within the sectors addressed. The primary goal is to identify risk drivers through comprehensive and appropriate management of risks, and to handle them appropriately.

The following risk policy principles are derived from this:

- Risk management is integrated into all significant operative business and decision-making processes. The management of risks mainly takes place through the organizational units that are operational locally.
- The risk management process serves as a set of tools to systematically record, analyze, manage and monitor going concern risks.
- Active and open communication about risks forms an essential factor for the success of the RMS. All MAX Automation Group staff are required to participate actively in risk management within their areas of responsibility.
- Risk measurement occurs conservatively, as a matter of principle. In other words, the maximum anticipated loss is calculated (worst case scenario).
- MAX Automation performs the central monitoring.

Methods and processes

The risk management system consists of various IT-supported matrices built up in steps. The aim is to manage risk on the basis of risk identification and risk evaluation. Risks are identified, their significance for the company is determined, a quantitative risk factor is calculated, and a schedule of fixed measures to control the risk is formulated. The system is completed by a list of risk examples, as well as a set of guidelines for using the electronic file.

The reporting interval is based on the quarter. A risk inventory conducted by the operating units forms an important element of this standard risk cycle. This entails calculating, measuring and condensing specific risks, allocating them to one of seven specific risk areas.

Measuring individual risks is the task of the risk management at the Group companies and at MAX Automation. The risk management handbook serves as a set of guidelines. The measurement process consists of three steps: Firstly, the loss potential is calculated, where possible. This refers to the maximum effect that a risk can have on EBIT over the next 24 months. The probability of an individual risk materializing (event risk) is then calculated. In the third step, the effectiveness of potential countermeasures is examined and appraised as to whether they reduce the risk. Finally, this leaves the potential net risk, in other words, the net EBIT risk remaining after taking into account the event risk and the effectiveness of any measures.

The net risks of the seven risk areas are calculated from the total of all allocated individual risks. Depending on the level of event risk, each risk area is attributed to one of the following categories:

- Low event risk < 10 %
- Medium event risk 10–50 %
- High event risk > 50 %

The risk areas' net risks add up to form the Group's total potential risk. Portfolio and correlation effects are not taken into consideration here.

After taking the risk inventory, the operating units prepare their respective risk reports. On this basis, the risk management function of MAX Automation prepares the Group risk report, which provides information about significant specific risks and the overall risk, and is subsequently discussed by the Executive Directors and Administrative Board.

The Executive Directors and Administrative Board are informed immediately about acute risks. The risk managers are responsible for the identification, measurement, management and monitoring of risk, as well as for reporting on them. These are mainly the heads of the controlling departments of MAX Automation and the Group companies.

Significant characteristics of the risk management system for the financial accounting process
The reporting system represents a key component of the internal controlling system (ICS), which MAX Automation constantly further develops as part of value-oriented reporting.

The accounting handbook of MAX Automation has been made accessible to all companies in order to ensure that accounting-relating topics are treated and measured on a uniform basis. The accounting handbook is updated regularly. It comprises all regulations, measures and procedures to sufficiently ensure the reliability of financial reporting for the Group and the Group companies in accordance with IFRS.

Overall responsibility for the RMS/ICS lies with the Executive Directors. They have established a predefined management and reporting organization for the RMS/ICS covering all organizational and legal units. The financial accounting and controlling function of MAX Automation performs supervision on a random sampling basis.

The most important instruments, and controlling and security routines for the financial accounting process include:

- The MAX Automation Group is distinguished by clear organizational, corporate, and controlling and supervisory structures.
- Groupwide coordinated planning, reporting, controlling, as well as early warning systems and processes exist in order to analyze and manage earnings-relevant risk factors and going concern risks on a uniform basis.
- Functions in all accounting process areas (e.g. financial accounting bookkeeping and controlling) are clearly allocated.
- An adequate set of internal guidelines has been established (including a set of Groupwide risk management guidelines and an accounting handbook), which are adapted as required.
- The IT systems deployed for accounting purposes are protected against unauthorized access. Recourse is primarily made to standard software in the financial systems utilized.
- MAX Automation has worked on a standard basis with LucaNet consolidation software since mid-2008, which is also utilized to prepare the medium-term planning across the Group.

Only selected staff are entitled to access the consolidation system. Only a small group of staff from the Group accounting and controlling function has access to all data. For other users, access is limited to the data relevant to their work.

The process is as follows:

- The subsidiaries report monthly to the parent company on business progress for the last relevant month and current financial year. This process is supplemented at least every quarter by an updated forecast.
- All reports undergo a critical target/actual analysis. An additional management report comments on divergences from budget, provides information about measures designed to meet the budget, progress during the current reporting month, and other significant key topics such as market and competitive conditions, investments, financing, and legal matters. The report is supplemented by verbal explanations.
- Moreover, the Executive Directors conduct regular conversations with the subsidiaries' board members and managing directors in order to compare business progress with budgets, and, if required, to introduce measures aimed at fulfilling budgets.
- The operating corporate planning represents a key component of the RMS. As part of this, the managing directors of the subsidiaries present the current progress of business at the end of each financial year, and explain ongoing corporate strategy. The corporate strategy, and the three-year plans for business trends, investments and liquidity trends that are based on it, form the basis of the discussions. The corporate planning helps to identify and appraise potential opportunities and risks long before significant business decisions.
- Key accounting-related processes are subject to regular analytical audits. The existing Groupwide RMS is constantly adapted to current developments and checked with respect to functionality. The system was examined by the auditor Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, as part of the audit of the consolidated annual financial statements.
- The Administrative Board conducts frequent consultations on matters relating to the RMS.

Regular training for all staff also forms part of the RMS/ICS. These include workshops to apply accounting standards (such as currently IFRS 15 and IFRS 16), financial accounting regulations and software tools. In the case of corporate acquisitions, financial accounting processes are adapted quickly and new staff are acquainted with all relevant processes, contents and systems.

By way of conclusion, it should be noted that neither the RMS nor the ICS can provide absolute security: even when utilized with the requisite care, the installation of appropriate systems can be generally prone to error.

Overall risk position

The Group's overall risk potential amounted to around EUR 6.1 million at the end of 2017 (previous year: EUR 7.7 million). This includes the net risk potentials of 55 (previous year: 52) quantifiable individual risks. In addition, there were also 189 (previous year: 184) non-quantifiable individual risks. The overall risk potential is regarded as appropriate and easily manageable in light of the business volume and macroeconomic situation. No risks are currently identifiable that either separately or in interaction with other risks could jeopardize the Group as a going concern.

Almost half of the overall risk potential is attributable to the risk area of "risks from operating activities/project risks", although these are weighted with an event risk of less than 50 %.

Corporate risks	Event risk	Potential financial effect	2017 risk position compared with previous year
Strategic risks	low	minor	unchanged
Market risks and economic risks	possible	significant	unchanged
Risks from operating activities, project risks	possible	significant	better
Financial risks, tax risks	possible	minor	unchanged
Legal risks	low	minor	unchanged
Risks from interests held in companies	low	significant	unchanged
Other risks (e.g. IT, personnel, environment)	high	moderate	unchanged

Influence of the possible financial impact on the consolidated net income or consolidated EBIT low (less than TEUR 400), moderate (from TEUR 400 to EUR 1.3 million), major (more than EUR 1.3 million)

11.2 Risk reporting

Risk areas and significant individual risks

- Market risks and economic risks: The risk exists at all MAX Automation Group companies of so-called market risk, in other words, the risk that key customers are lost from the client base, that technology is no longer required by the market or competitors adopt an aggressive approach to the market with corresponding consequences for achievable prices. The risk also exists that customers refuse to accept products, or that competitors challenge existing patents or industrial property rights. These risks may have negative effects on the future success of the Group companies. The Group minimizes market risks through intensive observation of the market, comprehensive project controlling, and close communication with customers. On top of that, there are risks relating to deadlines and technical risks on the purchasing market. MAX Automation counters such risks with end-to-end quality controlling of services procured from third parties, as well as through utilizing synergies within the Group association.

  The operating units' business trends are generally strongly coupled with the trend in the macroeconomic environment. MAX Automation is divided into two operating segments, and is in part strongly exposed to the automotive manufacturing business cycle as a result of its Industrial Automation operating segment. Both sector risk as well as general economic risk are mitigated through a high degree of specialization and strong positions in attractive market niches. The company also endeavors to reduce risk through diversification in other sectors such as medical technology. Economic risk cannot be excluded, as a matter of principle, however.

  As of December 31, 2017, the MAX Automation Group has a high order book position of EUR 198.6 million (previous year: EUR 193.7) which provides a temporary buffer to implement countermeasures in the case of market and economy-related risks.

- Risks from business activities, project risks: Due to the size of individual projects, MAX Automation has identified possible risk in project planning and project management. Technical miscalculations or delays can occur in larger projects.

MAX Automation counters the risk of incorrect estimates as early as the project initiation phase by carefully examining the technical concept with the help of internal and external experts as well as in cooperation with the customer. During the course of the project, regular project manager meetings take place and interim calculations are made, giving the project managers an overview of whether the project is still within the planned cost/time frame. Every material deviation in cost and/or delay of the delivery date are immediately reported to the management. A final cost calculation is made after the project is completed. The entire process has proven successful over the course of years and this helps in preparing estimates for new projects.

- Financial risks: As a result of the new syndicated loan agreement, the Group financing was converted in 2015 from the individual Group companies' bilateral banking arrangements to a unified Group financing arrangement, and once again adjusted in MAX Automation's favor in 2017. The covenants agreed with the Group's lending banks directly affect the interest margin, entitling the banks to a special termination right given a breach. Regular communication occurs with the lending banks and deposit insurers. In 2017, MAX Automation complied with all the covenants to which it has agreed. These covenants refer to key balance sheet and earnings figures derived from the IFRS consolidated financial statements. Counterparty default risk is limited by the fact that banking transactions are concluded exclusively with renowned banks.

  In contrast, in project business a trend is currently identifiable that some projects have to be pre-financed long in advance, which negatively impacts working capital and liquidity. The MAX Automation Group endeavors to counter this by, among other things, attempting to implement correspondingly high prepayments when concluding projects, or agreeing correspondingly long payment targets with sub-suppliers and remaining active in sending reminders.

- Other risks – personnel: MAX Automation and Group companies require qualified technical and managerial staff in order to realize their strategic and operating objectives. Qualified industrial education and further training are intended to secure employees' specialist expertise. Variable remuneration components that are measured against our profitability are intended to promote entrepreneurial thinking and activity on the part of our staff.

  The recruitment of qualified personnel has been hampered by the very low unemployment rate in Germany. For this reason, the MAX Automation Group focuses particularly on training and developing its own staff, and on exchanging know-how within the Group.

- Other risks – loss and liability risks: By concluding insurance cover, the company endeavors to particularly exclude going concern effects for the MAX Automation Group. In the case of complex and expensive projects, the subsidiaries are contractually obligated to limit risks arising from guarantees, product liability, and supplier delays. Security standards in the MAX Automation Group's payment transactions were intensified due to a general increase in fraud cases. A security system comprising state-of-the-art technology ensures the central IT landscape's security and availability.

As part of auditing the 2017 annual financial statements, the auditor examined the risk management system of the SE company and the Group. It arrived at the conclusion that the system is appropriate to comply with statutory risk management requirements.

Explanatory report concerning disclosures pursuant to Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB)

Object of the report

According to the explanatory memorandum for the German Accounting Law Modernization Act (BilMoG) that came into force on May 29, 2009, the internal controlling system comprises the principles, procedures and measures to safeguard financial accounting efficacy, proper financial accounting, and compliance with relevant legal regulations. This also includes the internal audit system to the extent that it relates to accounting.

As part of the internal controlling system, the risk management system with respect to the financial accounting process, as above, relates to accounting controlling and supervisory processes, particularly in the case of balance sheet items reporting the company's risk cover.

Key characteristics of the internal controlling system and risk management system with respect to the financial accounting process

The key characteristics of the internal controlling system and risk management system at MAX Automation SE with respect to the (Group) financial accounting process are described in detail in section 11.1.

Explanatory report relating to key characteristics of the internal controlling system and risk management system with respect to the financial accounting process

The internal controlling and risk management system relating to the financial accounting process, whose key characteristics have been described above, ensures that corporate matters are reported, prepared and appraised correctly in accounting terms, and are transferred on such a basis to the external accounting function.

The clear organizational, corporate, and controlling and supervisory structures, as well as the qualified personnel and material structure of the accounting system, create the basis for efficient accounting work in the areas involved. Clear legal and internal regulations and guidelines ensure that the financial accounting process is standardized and proper. The clearly defined monitoring mechanisms within the areas engaged in accounting, and early risk identification by the risk management function, ensure coherent accounting.

The internal controlling and risk management system of MAX Automation SE ensures that accounting at MAX Automation SE and at all companies included in the consolidated financial statements is standardized, and complies with legal and statutory regulations, as well as internal guidelines. In particular, the Group-standard risk management system, which complies entirely with statutory requirements, has the task of identifying risks at an early juncture, of measuring them, and of communicating them appropriately. This allows appropriate, relevant and reliable information to be provided promptly to the relevant addressees.

12. Opportunities

The MAX Automation Group is active in various sectors with its Group companies and is increasingly active on international markets. Its customers primarily stem from the automotive, medical technology, electronics, recycling, energy and raw materials industries.

These sectors feature multiple growth drivers which are influenced by dynamic technological development as well as changes on political and societal levels or result from these. The MAX Automation Group's strategic positioning opens up numerous opportunities in 2018 and subsequent years that can affect business progress positively.

In this context, the implementation of "Strategy 2021" is vitally important given the aim of realizing substantial growth in the Group in the medium term. MAX Automation has already made numerous steps forward as part of implementing the strategy, with positive impacts on the business development to date. This strategy mainly encompasses focusing the Group on several identified growth areas, extending its presence and local value creation on attractive international markets with the possibility of appropriate acquisitions, developing further specific offerings of products and services in connected production (Industry 4.0), reducing the volatility of its new order intake, operative excellence in project processing and expanding the service business, as well as the great exploitation of existing synergy potentials and enhancing value creation within the Group.

Opportunities management

MAX Automation regards opportunities as the possibility to achieve a positive difference in relation to its targets due to events or developments. Opportunities management comprises all measures entailed in the systematic and transparent handling of business and entrepreneurial potentials. As part of this, the Executive Directors of MAX Automation SE enter into strategic dialog with the management of the subsidiaries: This combines a structured and Groupwide standardized process where at least three times a year all Group companies systematically prepare and discuss strategies with the Executive Directors, including opportunities and risks emanating from relevant market and technology trends.

Following the strategic dialog, all companies record opportunities in their operative planning and monthly reporting to better estimate and appraise their current earnings and liquidity positions.

All decision-makers are included in opportunities management – from the Executive Directors of MAX Automation SE to the Group companies' management teams and divisional and project heads. The central Corporate Development department supports this process.

Through the integral combination with strategy, planning and reporting processes, opportunities management forms an essential element of strategic and fair value-oriented corporate management.

Market and competitive opportunities

MAX Automation is active in four strategic business areas within the Industrial Automation segment: mobility automation, life science automation, process technologies and new automation technologies. Significant opportunities, in connection with overarching growth drivers, are anticipated in these business areas. These are:

- Mobility automation: The industrial production in the automotive industry is dominated by ever increasing automation, rising demands on efficiency and, in connection with this, stronger interconnectedness. This development is influenced and intensified by a range of trends. One such trend relates to the desire of consumers for improvements in relation to driving performance, comfort and safety. As a result, there is a growing demand for driving aid systems. Sustainability is another determining element in vehicle engineering: Given more stringent legislation and consumers' growing environmental awareness, the automotive industry is also endeavoring to sustainably reduce modern engines' fuel consumption and CO_2 emissions. As part of this, it has to react to a continuous rise in interest in alternative drive solutions, including hybrid and electric motors. As a result, the industry is specifically building up resources in order to prepare for the anticipated global demand for alternative drive solutions.

  With its Group companies, MAX Automation is a specialist in the continuing optimization of stability, precision and efficiency in industrial manufacturing processes. It operates as a reliable partner to its customers in the manufacturing of components and system solutions for all core automotive areas, including engines, transmissions and steering systems, as well as the areas of electronics, sensor technology and mechatronics. The subsidiaries hold comprehensive expertise in electromobility and have boosted their market position by introducing innovations and further extending their capacities in this area. They boost flexibility in vehicle manufacturing through efficient handling and conveying systems as well as robotics solutions, and enable modularized production. The Group companies are consequently ideally positioned to benefit from trends in mobility automation and help shape these in their respective sub-areas.

- Process technologies: High-performance electronics systems are a major factor when it comes to realizing the aforementioned trends in the automotive industry and continuing development with regard to performance, safety and user comfort. As part of this, particular importance is attached to the highly precise and reliable assembly of these systems in production.

  MAX Automation Group companies are specialists in proprietary engineering processes and act as technology leaders in individual areas. Areas of activity include dosing and metering technology, heat staking, plasma treatment and impregnation technology. For example, the companies offer solutions to adhere and seal adaptive cruise controls in vehicles, or produce tiny optics for cameras that monitor events outside and inside a vehicle. This allows them to identify dangers, assist the driver, safeguard the vehicle against theft or replace the car key using driver recognition, and in doing so form an important foundation for boosting driving safety as well as autonomizing the vehicle.

  Thanks to the constant evolution of their solutions, the Group companies enjoy significant opportunity to participate in and benefit from automotive industry trends.

- Life science automation: The medical technology sector is experiencing growing demand worldwide on the back of several long-term trends in the industrialized nations and increasingly in the emerging economies. These include medical progress with new and optimized applications, technological development relating to digitalization (so-called e-health solutions), demographic development as well as a growing health consciousness within society, the individualization of treatment forms, the growing demand for effective and smart products as well as the desire of patients for more scope in therapy, e.g. in the form of self-medica-

tion. At the same time, the medical technology market is dominated by high entry barriers: Providers have to fulfill specific quality-related, technological and regulatory requirements in order to be allowed to operate in the market. In addition, medical technology customers set great store by collaboration based on the utmost trust, reliability and long-term relationships.

The MAX Automation Group has successfully positioned itself in the medical technology market with its specialist expertise and has expanded the customer base. In addition, it also holds the necessary technical validation to fulfill regulatory requirements. This is a good starting point for the Group companies to be successful on the market in the long term, participate in its forecast growth and establish new customer relationships.

- New automation technologies: Industrial production is exhibiting an increasingly high degree of digital networking and this development is being dynamically sustained. Solutions grouped under the term Industry 4.0 offer a sustained increase in efficiency in production processes as well as in connected processes such as the servicing of machines and systems or in the training of employees. Another trend in industrial production relates to the rapidly increasing use of complex robotics solutions. This area is also dominated by continuous evolution, such as in the form of lightweight robots and collaborative robots.

  MAX Automation and its Group companies possesses extensive knowledge and technologies to successfully participate in and shape future developments in Industry 4.0 and robotics. It should be noted that the Group companies have a growing installed base with progressing sales of machinery and systems. As a result, the chances are increasing that service business – e.g. via so-called augmented reality solutions or from service branches on the ground – will continuously expand. This is reflected in their competencies in the servicing and remote maintenance business through utilizing tablets or data goggles and related software solutions, and through the establishment of additional sites.

MAX Automation and its Group companies are recording greater demand for manufacturing close to markets and for a local presence for service and sales in its international business. That is why it is pushing forward the expansion of its network of locations in Europe, North America and Asia in line with "Strategy 2021". As part of this, MAX Automation North America Inc. and a branch office of MA micro automations GmbH in Singapore were recently founded and the majority acquisition of the activities of Shanghai Cisens Automation Co., Ltd. agreed. With the increased international representation, MAX Automation is ensuring comprehensive support for its customers and tapping additional opportunities, such as in the acquisition of orders.

Following a comprehensive strategy and market analysis by MAX Automation, good opportunities in operating business were identified in the Environmental Technology segment. The company is therefore planning to expand this segment, something which should take place both organically as well as in cooperation with strategic partners. As a result, it is aiming to actively use the consolidation opportunities in the heterogeneous environmental technology industry and further benefit from global growth drivers. These primarily concern the following areas:

- Climate and environmental protection: Worldwide, the importance of climate protection, the conservation of natural resources and recycling of residual waste back into the material cycle or for energy recovery is rising. The development is long term and results from economic and societal changes as well as a general

heightened awareness of environmental issues among the general public. Major aspects of this process are the permanently growing consumption in emerging economies, for instance, as well as the related increasingly large volume of waste in cities, primarily in these countries. This results in growing demand for effective and innovative solutions for recycling waste materials as efficiently as possible.

The MAX Automation Group owns Vecoplan, a Group company that has been operating in the market for decades and commands comprehensive expertise in the development, production and maintenance of individual components and system solutions. The Group therefore has the opportunity to benefit from the growing importance of climate and environmental protection, and operate as a driver of innovation through a constantly updated portfolio.

- Stricter environmental regulations: Politicians and public authorities are reacting to the increasing requirements for environmental protection and the processing of waste and recyclable materials at regional, national and international level. This became clear at the third United Nations Environment Assembly (UNEA) in December 2017, where more than 100 nations took a stand against environmental pollution. Several obligatory provisions nevertheless exist already, such as those for reducing carbon dioxide emissions in the European Union (EU) and ultimately reducing the so-called greenhouse effect. Environmental initiatives also exist in North America, including in the form of so-called zero waste programs for local authorities. And at the start of 2018 in China, a freeze on imports was implemented for several different waste products which will lead to increased demand for recycling solutions in the medium term, with corresponding need for action in the exporting countries.

  Due to the numerous political regulations in this area, the MAX Automation Group anticipates rising demand for efficient recycling solutions. Here, it is pursuing the objective of further developing existing solutions in materials recycling and adapting them to address ever more complex challenges in individual national markets.

Opportunities arising from effects within the corporate Group

In step with "Strategy 2021", the MAX Automation Group is pushing forward the identification and utilization of synergy effects between the Group companies. This yields a range of opportunities, including bundling activities in the areas of purchasing (bundling procurement volumes and benchmarking to leverage purchasing benefits) and financing, an increasingly important joint utilization of foreign sites as part of internationalization, know-how and technology transfer, and best practice approaches and methodologies in joint projects and the development of new applications.

One of MAX Automation's aims is to boost the value creation within the Group through targeted enhancement of relationships for the delivery of goods and rendering of services between the Group companies. To a specific extent, possibilities also exist to exploit sales synergies through project-based collaboration within the Group.

Synergy and Group association effects are to be expanded successively on a targeted basis and encouraged through the expansion of the international network of sites.

13. Outlook

13.1 Macroeconomic environment

According to estimates from the International Monetary Fund (IMF), the global economy will sustain the positive development of the previous year in 2018 and gain momentum in the process. The Fund primarily expects stronger development than initially anticipated in regions such as the Eurozone, Japan and Canada. It also views the tax reform in the USA concluded at the end of 2017 in a positive light and believes it can stimulate growth in the United States and among its trading partners. In contrast, the IMF continues to assess the economic development in the UK with uncertainty on the back of Brexit and the ongoing exit negotiations with the EU. In addition, it has named several medium-term risks from the trend toward more nationally-oriented politics in several countries.

The IMF forecasts that the global economy will expand by 3.9 % in 2018 (2017: 3.6 %). In China, a smaller gain than the previous year of 6.6 % is anticipated (2017: 6.8 %). According to expectations, the economy in the USA will grow by 2.7 % (2017: 2.2 %).

IMF estimates suggest that the Eurozone economy will grow by 2.2 % (2017: 2.1 %). Kiel Institute for the World Economy (IfW) is also optimistic and anticipates growth of 2.3 %. The Institute cited the high industrial production and upbeat order intake in the manufacturing industry, favorable financing conditions from the expansive policies of the European Central Bank and declining uncertainty in the financial sector.

Gross domestic product (GDP) in Germany is forecast to expand by 2.5 % in 2018, according to the IfW. Main influencing factors are the strong export business as well as high private consumption due to the positive employment and income prospects. Nevertheless, the IfW sees a risk in the high capacity utilization of business enterprises, as it is growing increasingly difficult to recruit qualified employees, which in turn impacts production. The IMF is forecasting 2.3 % growth for the German economy in 2018.

13.2 Trends in relevant sectors

German mechanical and plant engineering is viewing 2018 with confidence. The German Engineering Federation (VDMA) is anticipating production growth of 3.0 % year on year for its member companies in the current year and an increase in industry revenues to more than EUR 230.0 billion (2017: EUR 224.0 billion). However, the Federation attached several conditions to its forecast, including the further expansion of the infrastructure in Germany for rapid data connections and the introduction of tax incentives for research.

The Federation of Robotics (IFR) is forecasting high global demand for robotics solutions in the medium term. The Federation is anticipating a significant growth in the global stock of industrial robots from 1.8 million units in 2017 up to 3.1 million units in 2020. In line with this, in the years 2018 to 2020, it is expecting an average annual growth rate of 14.0 %. As part of this trend, an ever greater importance will be attached to the

Sources:
- International Monetary Fund (IMF), World Economic Outlook, October 2017
- Kiel Institute for the World Economy (IfW), "Weltkonjunktur im Winter 2017", December 13, 2017
- Kiel Institute for the World Economy (IfW), "Konjunkturprognose", press release, December 14, 2017

so-called smart, or digitally-networked, factory: Companies are increasingly integrating industrial robots into production with plant-wide machine and system networks.

The German Automotive Industry Association (VDA) is expecting a 1.0 % increase in new registrations for the global automotive markets in 2018 to 85.7 million new vehicles (previous year: 84.6 million new vehicles). Although the European market is expected to keep pace with the 2017 level of 15.6 million units, the Western European market will contract by 1.0 % to 14.2 million new vehicles due to negative development in the UK. The Federation also anticipates that the US market will record a drop of 2.0 % to 16.8 million new vehicles, while the Chinese market will grow by 2.0 % to 24.6 million new vehicles.

The industry association Spectaris is forecasting good prospects for German medical technology companies. According to their forecast, industry revenues will grow by 5.0 % year on year in 2018 to EUR 32.0 billion (2017: EUR 30.6 billion). On the global market for medical technology, annual growth of 5.0 % to USD 530 billion is anticipated up to 2022. As part of this, German medical technology companies will benefit at least proportionally from this positive development.

The German Engineering Federation's Specialist Waste and Recycling Technology Association is also optimistic. According to a survey by the Association, more than 80 % of its member companies are anticipating positive development in 2018. A large proportion of the companies are expecting 3.0 % growth in industry revenues year on year (2017: EUR 2.7 billion). Various legal issues such as the obligation to separately collect organic waste and the Industrial Waste Ordinance are viewed as growth drivers in domestic business.

13.3 Prospective trends in the 2018 financial year

The Executive Directors of MAX Automation SE are generally optimistic for the Group's development and growth in the 2018 financial year and beyond. Based on the available forecasts for overall economic and industry-specific conditions as well as the long-term growth drivers for the Industrial Automation and Environmental Technology sectors, they are anticipating sustained growth in the demand for high-tech automation solutions from the MAX Automation Group.

The medium-term "Strategy 2021" is of particular importance for the further economic development of MAX Automation. This will see the Group increasingly focus on attractive growth markets and adjust the organizational structure on the back of the progressing international alignment of the Group companies. Furthermore, existing synergy potential is to be exploited and the Group's value creation is to be increased.

In addition, the planned expansion of the Environmental Technology segment will be of particular relevance for the future business development of the MAX Automation Group.

Sources:
- German Engineering Federation (VDMA), press releases, December 12, 2017
- German Engineering Federation (VDMA), Specialist Waste and Recycling Technology Association, press release, November 24, 2017
- International Federation of Robotics, press release, September 27, 2017
- German Automotive Industry Association (VDA), press release, December 6, 2017
- Spectaris, Specialist Medical Technology Association, press release, November 9, 2017

13.3.1 Industrial Automation

In 2018 and in following years, the Industrial Automation segment will remain unchanged in concentrating on four strategic business areas. These are:

- Mobility automation: Modernization and automation in vehicle construction, driver assistance systems and autonomous driving, flexibilization in vehicle construction through increasing variant diversity in models and equipment, cutting CO_2 emissions in engines and powertrains, and the trend to sustainable vehicles, especially hybrid and electromobility.
- Process technologies: Increasing demand for proprietary engineering for individual processes in electronics, including dosing and metering technology, heat staking, plasma treatment and impregnation technology.
- Life science automation: Medical technology trend to both self-medication for patients and digitalization in the health sector (e-health).
- New automation technologies: Advancing digitalization in industrial manufacturing, optimization of plant machinery through connectivity as well as efficiency enhancements from deploying lightweight design robots and collaborating robots.

As part of this, the Group companies will continue to focus on high-quality and technologically complex solutions for automation in industrial production. This primarily relates to the development and production of machines and systems as well as the creation of software applications for management, networking and analysis as well as complementary services.

The Executive Directors are planning to further expand business within the segment. In order to accomplish this, the existing commitment will continue with regards to the efficiency gains in the organization of the Group companies, the leveraging of synergies within the segment, a targeted expansion of competencies in areas such as electronics, sensors and e-mobility as well as the increased internationalization. In order to strategically complement and expand the portfolio in Industrial Automation, the Executive Directors are also considering the acquisition of suitable companies – such as the takeover of R.C.M. Reatina Costruzioni Mecchaniche S.r.l. (RCM) at the end of 2017 or the planned acquisition of the majority of the activities of the Chinese Shanghai Cisens Automation Co., Ltd. To this end, they are continuously monitoring the markets of relevance for MAX Automation. Not least, based on the continued substantial order book position, the Executive Directors are expecting the continuous development of the segment at a high level.

13.3.2 Environmental Technology

The Environmental Technology segment, which comprises the Vecoplan Group with its subsidiaries, will continue to focus on developing and producing high-quality individual components as well as system solutions, among other things, for the recycling and processing industry. As part of this, specific customer requirements should be individually served and existing recycling processes optimized. The business on the North American continent is of particular importance in this respect.

MAX Automation is planning to expand the segment both organically as well as in cooperation with strategic partners. The aim is therefore to actively utilize the consolidation opportunities in the heterogeneous environmental technology industry and further benefit from global growth drivers. The measures taken in 2016 and 2017 to improve the cost structure have lead to the Vecoplan Group operating profitably with unchanged business volumes and being able to react rapidly to the typical volatility in their markets. This is a good starting point for the planned expansion.

Environmental Technology also holds further upside potential which is to be utilized by way of an action plan.

13.4 Financial forecast

The Executive Directors believe that MAX Automation is ideally positioned strategically thanks to the progress achieved in "Strategy 2021" and the focus on important growth drivers in Industrial Automation and Environmental Technology. They view the sustained high demand, particularly the high level of the order book position, as a good foundation for successful development in 2018. MAX Automation will continue to focus on innovative and promising developments in the high-tech mechanical engineering sector, push forward the expansion and internationalization of the segments, and tap additional potential synergies between the individual Group companies.

Based on the current portfolio and the expectations for macroeconomic conditions presented above, the Executive Directors assume the following for the 2018 financial year:

- Consolidated sales revenue of at least EUR 400 million (previous year forecast: at least EUR 370 million), and
- Consolidated EBIT before PPA amortization of at least EUR 26 million (previous year forecast: EUR 22 million to EUR 25 million).

In the medium term, the Executive Directors are aiming for a substantial increase in consolidated sales revenue through organic growth as well as possible acquisitions in line with the "Strategy 2021" approach. To this end, they are continuously monitoring the markets of relevance for MAX Automation.

13.5 Prospective business trends for the SE company

The results of operations of MAX Automation SE depend to a high degree on the Group earnings trend. Based on the expected trends for the operating companies, the Executive Directors anticipate a rising level of income from its participating interests in the 2018 financial year, with the cost structure remaining unchanged.

Forward-looking statements

This report includes forward-looking statements that are based on the present assumptions and forecasts of the management of MAX Automation SE. Such statements are subject to risks and uncertainties. These and other factors can mean that actual results, the financial position, developments or the company's performance differ significantly from the estimates provided here. The company assumes no liability whatsoever to update these forward-looking statements or to amend them in response to future events or developments.

Düsseldorf, February 2018

The Executive Directors

Daniel Fink

Fabian Spilker

MAX

CONSOLIDATED FINANCIAL STATEMENTS 2017

CONSOLIDATED BALANCE SHEET

of MAX Automation SE, Düsseldorf,
as of December 31, 2017

ASSETS	Notes	31.12.2017 TEUR	31.12.2016 TEUR
Non-current assets			
Intangible assets	(1)	13,667	15,396
Goodwill	(2)	53,091	53,139
Property, plant and equipment	(3)	31,481	31,625
Investment property	(4)	1,379	1,404
Equity accounted investments	(5)	3,542	0
Other investments	(6)	2,593	2,270
Deferred tax	(7)	4,724	5,993
Other non-current assets	(8)	601	335
Non-current assets, total		**111,078**	**110,162**
Current assets			
Inventories	(9)	42,095	41,214
Trade receivables	(10)	138,326	121,227
Receivables due from related companies	(11)	40	90
Prepayments and accrued income, and other current assets	(12)	5,639	10,615
Cash and cash equivalents	(13)	26,154	23,023
Current assets, total		**212,254**	**196,169**
Total assets		**323,332**	**306,331**

EQUITY AND LIABILITIES	Notes	31.12.2017 TEUR	31.12.2016 TEUR
Equity			
Subscribed share capital	(14)	29,459	26,794
Capital reserves	(15)	18,907	3,055
Revenue reserve	(15)	31,168	26,144
Equity difference resulting from currency translation		66	966
Non-controlling interests	(15)	576	426
Unappropriated retained earnings	(16)	58,821	53,875
Total equity		**138,997**	**111,260**
Non-current liabilities			
Non-current loans less current portion	(17)	64,847	64,063
Pension provisions	(18)	963	1,033
Other provisions	(23)	1,489	1,229
Deferred tax	(7)	8,245	13,227
Other non-current liabilities	(17)	1,794	2,222
Non-current liabilities, total		**77,338**	**81,774**
Current liabilities			
Trade payables	(19)	72,614	61,788
Current loans and current portion of non-current loans	(20)	8,416	28,840
Liabilities to related companies	(21)	148	0
Other current financial liabilities	(22)	12,899	12,271
Income tax provisions and liabilities	(23)	4,962	2,614
Other provisions	(24)	5,113	5,718
Other current liabilities	(25)	2,845	2,066
Current liabilities, total		**106,997**	**113,297**
Equity and liabilities, total		**323,332**	**306,331**

The attached notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of MAX Automation SE, Düsseldorf,
for the period from January 1 to December 31, 2017

	Notes	2017 TEUR	2016 TEUR
Revenue	(26)	**376,180**	**337,138**
Change in finished goods and work-in-progress		1,694	2,641
Work performed by the company and capitalized		2,423	3,055
Total operating revenue		**380,297**	**342,834**
Other operating revenue	(27)	7,199	9,778
Income from equity accounted investments		–197	0
Cost of materials	(28)	–196,276	–175,605
Personnel expenses	(29)	–112,332	–106,553
Depreciation, amortization and impairment losses	(30)	–8,676	–12,040
Other operating expenses	(31)	–49,826	–46,026
Operating profit		**20,189**	**12,388**
Net interest result	(32)	–3,159	–2,846
Earnings before tax		**17,030**	**9,543**
Income taxes	(33)	–2,903	–1,201
Net income		**14,127**	**8,342**
– of which attributable to non-controlling interests	(15)	162	22
– of which attributable to shareholders of MAX Automation SE		13,965	8,320
Items not recycled to the income statement			
Actuarial gains and losses on employee benefits	(18)	33	22
Income taxes on actuarial gains and losses		–10	–7
Items that may possibly be subsequently recycled to the income statement		**23**	**15**
Change arising from currency translation		–900	277
Total comprehensive income		**13,250**	**8,634**
– of which attributable to non-controlling interests	(15)	162	22
– of which attributable to shareholders of MAX Automation SE		13,088	8,612
Earnings per share (diluted and basic) in EUR	(34)	0.50	0.30

The attached notes form an integral part of the consolidated financial statements.
Adjustments to the previous year's figures are explained in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of MAX Automation SE, Düsseldorf,
for the period from January 1 to December 31, 2017

	Subscribed share capital	Capital reserves	Actuarial gains and losses	Other revenue reserves	Difference from currency translation	Reconciling item for non-controlling interests	Unappropriated profit	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 01.01.2016	**26,794**	**3,055**	**–244**	**21,373**	**689**	**617**	**54,574**	**106,859**
Dividend payments	0	0	0	0	0	0	–4,019	–4,019
Payments to non-controlling interests	0	0	0	0	0	–214	0	–214
Transfer to retained earnings	0	0	0	5,000	0	0	–5,000	0
Total comprehensive income	0	0	15	0	277	22	8,320	8,634
As of 31.12.2016	**26,794**	**3,055**	**–229**	**26,373**	**966**	**426**	**53,875**	**111,260**
As of 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 non-controlling 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 of 31.12.2017	**29,459**	**18,907**	**–205**	**31,373**	**66**	**576**	**58,821**	**138,997**

The attached notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

of MAX Automation SE, Düsseldorf,
for the period from January 1 to December 31, 2017

		Notes	01.01.–31.12.2017 TEUR	01.01.–31.12.2016 TEUR
1.	**Cash flow from operating activities**			
	Net income		14,127	8,342
	Adjustments relating to the reconciliation of consolidated net income for the year to cash flow from operating activities:			
	Income taxes	(32)	2,903	1,201
	Net interest result	(31)	3,159	2,845
	Amortization	(29)	4,529	7,039
	Depreciation	(29)	3,899	4,538
	Depreciation of investment properties	(29)	25	463
	Gain (–)/loss (+) on disposal of property, plant and equipment and intangible assets	(3)	17	37
	Gain (–)/loss (+) on disposal of investment property	(4)	0	–1,689
	Other non-cash expenses and income		–1,389	–348
	Changes in assets and liabilities			
	Increase (–)/decrease (+) in other non-current assets	(8)	–352	37
	Increase (–)/decrease (+) in inventories	(9)	–2,325	–4,157
	Increase (–)/decrease (+) in trade receivables	(10)	–16,453	–21,956
	Increase (–)/decrease (+) in receivables due from related companies	(11)	50	–4
	Increase (–)/decrease (+) in prepayments, accrued income and other assets	(12)	726	–1,923
	Increase (+)/decrease (–) in other non-current financial liabilities		269	–964
	Increase (+)/decrease (–) in pension provisions	(18)	–70	–49
	Increase (+)/decrease (–) in other provisions and liabilities		–521	–8,479
	Increase (+)/decrease (–) in trade payables	(19)	10,826	7,420
	Increase (+)/decrease (–) in liabilities to related companies		1,220	0
	Income tax paid	(32)	–2,607	–9,630
	Income tax reimbursed	(32)	654	1,399
=	**Cash flow from operating activities**		**18,687**	**–15,878**
2.	**Cash flow from investing activities**			
	Outgoing payments for investments in intangible assets	(1)	–3,313	–3,743
	Outgoing payments for investments in property, plant and equipment	(2)	–4,441	–5,022
	Outgoing payments for investments in financial assets	(5) (6)	–3,895	–278
	Payments received from disposals of intangible assets	(1)	507	197
	Payments received from disposals of property, plant and equipment	(2)	343	1,388
	Payments received from disposals of investment property	(4)	4,250	0
	Outgoing payments for acquisition of subsidiaries, less cash		0	–1,500
=	**Cash flow from investing activities**		**–6,549**	**–8,958**

		Notes	01.01.–31.12.2017 TEUR	01.01.–31.12.2016 TEUR
3.	**Cash flow from financing activities**			
	Outgoing payments for dividends	(16)	–4,019	–4,019
	Payment received from cash capital increase		18,655	0
	Payments made for cash capital increase		–161	0
	Drawdown of non-current borrowings	(17)	109,500	55,991
	Repayment of non-current borrowings	(17)	–126,443	–40,672
	Change in current borrowings	(20)	–3,424	17,027
	Interest paid	(31)	–2,786	–1,812
	Interest received	(31)	246	64
	Increase (–)/decrease (+) in restricted cash and cash equivalents	(8)	0	20
	Payments arising from settlement claims for third parties	(15)	0	–214
=	**Cash flow from financing activities**		**–8,432**	**26,385**
4.	**Cash and cash equivalents**			
	Increase/decrease in cash and cash equivalents		3,706	1,549
	Effect of changes in exchange rates		–575	116
	Cash and cash equivalents at start of financial year		**23,023**	**21,358**
	Cash and cash equivalents at end of financial year		**26,154**	**23,023**
5.	**Composition of cash and cash equivalents**			
=	Cash and cash equivalents	(13)	**26,154**	**23,023**

The attached notes form an integral part of the consolidated financial statements.
Adjustments to the previous year's figures are explained in the notes to the consolidated financial statements.

SEGMENT REPORTING

of MAX Automation SE, Düsseldorf
as of December 31, 2017

Segment	Industrial Automation		Environmental Technology	
Reporting period	**2017 TEUR**	**2016 TEUR**	**2017 TEUR**	**2016 TEUR**
New order intake	**290,714**	**300,668**	**92,916**	**95,042**
Order book position	**168,840**	**164,119**	**29,744**	**29,708**
Segment revenue	**286,418**	**239,784**	**89,442**	**97,363**
With external customers	286,370	239,734	89,442	97,363
– of which Germany	102,252	90,305	17,863	11,907
– of which other EU countries	68,543	69,987	27,074	35,719
– of which North America	56,722	24,553	36,303	45,140
– of which China	34,932	32,043	0	0
– of which Rest of the World	23,921	22,846	8,202	4,597
Inter-segment revenue	48	50	0	0
EBITDA	**24,669**	**21,460**	**8,151**	**4,125**
Segment operating profit (EBIT before PPA amortization)	**19,793**	**16,847**	**6,545**	**1,776**
Including:				
– Depreciation/amortization	–4,876	–4,613	–1,606	–2,349
– Additions to other provisions and pension provisions	–2,137	–1,652	–1,857	–1,771
– Incoming payments from sale of investment properties	0	0	0	0
– Income from equity accounted investments	0	0	56	0
Segment operating profit after PPA amortization	**18,097**	**12,790**	**6,521**	**1,261**
Including:				
– PPA amortization	–1,697	–4,057	–24	–515
Segment result from ordinary activities (EBT)	**15,057**	**10,662**	**6,043**	**578**
Including:				
– Interest and similar income	37	30	28	47
– Interest and similar expenses	–3,076	–2,157	–507	–731
Income taxes	42	1,237	–2,601	–886
Net income	**15,099**	**11,899**	**3,442**	**–308**
Non-current segment assets (excluding deferred tax)	**47,269**	**47,517**	**12,876**	**14,046**
– of which Germany	46,871	47,103	10,393	11,061
– of which other EU countries	39	68	41	50
– of which North America	225	187	2,442	2,935
– of which Rest of the World	134	158	0	0
Investments in non-current segment assets	**6,731**	**7,552**	**909**	**682**
Working capital	**93,450**	**79,374**	**14,877**	**22,100**
Average number of personnel excluding trainees	**1,194**	**1,131**	**374**	**412**

The segment reporting is a component of the notes to the consolidated financial statements.

Reconciliation		Total	
2017 TEUR	2016 TEUR	2017 TEUR	2016 TEUR
0	**0**	**383,630**	**395,711**
0	**0**	**198,584**	**193,826**
320	**–9**	**376,180**	**337,138**
368	41	376,180	337,138
368	41	120,483	102,253
0	0	95,617	105,706
0	0	93,025	69,693
0	0	34,932	32,043
0	0	32,123	27,443
–48	–50	0	0
–3,956	**–1,157**	**28,864**	**24,428**
–4,110	**–1,260**	**22,228**	**17,362**
–154	–103	–6,636	–7,066
–206	–717	–4,200	–4,140
0	1,689	0	1,689
–253	0	–197	0
–4,429	**–1,663**	**20,189**	**12,388**
–319	–402	–2,040	–4,974
–4,070	**–1,697**	**17,030**	**9,543**
318	8	383	85
41	–43	–3,542	–2,931
–344	–1,552	–2,903	–1,201
–4,414	**–3,250**	**14,127**	**8,342**
46,208	**42,606**	**106,353**	**104,168**
46,208	42,606	103,472	100,770
0	0	80	118
0	0	2,667	3,122
0	0	134	158
113	**531**	**7,753**	**8,765**
–520	**–821**	**107,807**	**100,653**
8	**6**	**1,576**	**1,549**

MAX

NOTES 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of MAX Automation SE

1. General information

The company

MAX Automation SE (hereinafter referred to as "the company" or "the MAX Group") is a public stock corporation domiciled in Germany. Düsseldorf is the location of the company's registered office and Group headquarters.

The company's main activities lie in the activities of a management holding company: in other words, the aggregation of companies under joint management, the advising of such companies, and the assumption of other business management tasks. The Group companies operate as internationally active high-tech engineering companies, and as leading full-range suppliers of integrated and complex system and component solutions. The operative business is divided into the two operating segments of Industrial Automation and Environmental Technology.

Consolidated financial statements

The company has prepared its consolidated financial statements applying Section 315a (1) of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and according to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly referred to as the Standing Interpretations Committee (SIC). All mandatory applicable IFRS for the financial year elapsed were taken into account.

The financial year of MAX Automation SE and all its subsidiaries is identical with the calendar year. The equity accounted joint venture with ThyssenKrupp Industrial Solutions AG, Vecoplan Fueltrack GmbH, which is in the process of being liquidated, forms the only exception in this context.

The consolidated financial statements have been prepared in euros (EUR). Unless stated otherwise, all amounts are presented in thousands of euros (TEUR).

The statement of comprehensive income is structured according to the nature of expense method.

The consolidated financial statements for the financial year ending December 31, 2016, which have been audited and awarded an unqualified audit certificate, were approved by the Supervisory Board on March 30, 2017. The Supervisory Board will prospectively approve the audited consolidated financial statements for the financial year ending December 31, 2017, on March 23, 2018.

2. Accounting policies

The financial statements of the German and foreign subsidiaries included in the consolidated financial statements have been prepared uniformly in accordance with IFRS accounting policies.

In certain cases, the application of IFRS requires the making of estimates and assumptions with corresponding effect on the company's financial position and performance. During the same reporting period, different assumptions and estimates could have been made for equally comprehensible reasons. The assumptions and estimates made are subject to routine adjustments. The company notes that actual future results may differ from 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) and some new IFRS and interpretations that the MAX Group must apply from the 2017 financial year:

Promulgation	Title	Mandatory application for the MAX Group from	Amendments	Potential effects on the presentation of the MAX Group's financial position and performance
Standards and interpretations adopted by the EU:				
Amendments to IAS 7	Disclosure Initiative	01.01.2017	The amendments require companies to provide information enabling the addressees of financial statements to assess changes in liabilities from financing activities.	Implementation by the MAX Group was realized in section 6.1 Consolidated statement of cash flows.
Amendments to IAS 12	Recognition of Deferred Assets for Unrealised Losses	01.01.2017	The amendments to IAS 12 especially aim to clarify the accounting treatment of deferred tax assets for unrealized losses in the case of assets measured at fair value. These are currently treated differently in practice.	No effects.
Diverse	Annual Improvements to IFRSs 2014–2016 Cycle	01.01.2018	The Annual Improvements Cycle 2014 to 2016 comprises improvements to IFRS 1, IFRS 12 and IAS 28.	No significant effects.
IFRS 9	Financial Instruments	01.01.2018	This standard comprehensively regulates the accounting treatment of financial instruments. The new classification regulations for financial assets, which are revised in the latest version of IFRS 9, deserve particular highlighting compared with the predecessor standard IAS 39. These are based on characteristics of the business model as well as contractual cash flows from financial assets. Regulations relating to the recognition of impairment losses, which are now based on a model of anticipated losses, are also fundamentally new. The presentation of accounting hedges is also newly regulated under IFRS 9, and is intended to better reflect operational risk management.	No significant effects.
IFRS 15	Revenue from Contracts with Customers (including amendments to IFRS 15: Effective date of IFRS 15)	01.01.2018	IFRS 15 regulates the recognition of revenue from contracts with customers across different sectors, and is comprehensively new. Detailed instructions are given in a five-step model including concerning the identification of separate performance obligations, the level of expected consideration taking variable price components into consideration, and concerning the distribution of the expected consideration among the identified performance obligations. In addition, deciding whether a performance obligation is to be rendered in relation to a date or a period is now to occur according to standard criteria. This new standard replaces the following regulations: IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC–31.	Based on the results of the project started in the 2015 financial year to introduce IFRS 15 across the Group, and further analyses conducted in 2017, the following effects were determined or confirmed as the result of this introduction: Warranty obligations whose periods extend beyond the standard sector or statutory period, commitments relating to certain long-term maintenance ratios, assembly work, training, installation and warehousing might need to be treated in the future as the company's own service obligations.

				Moreover, in the case of some construction contracts, which to date have been recognized according to the percentage of completion method pursuant to IAS 11, a postponement of revenue recognition will occur as the conditions for periodic revenue recognition according to IFRS 15 are not met. As a result of the transition according to the modified retrospective method, revenue reserves in the opening balance sheet will decrease by around EUR 4-5 million to approximately EUR 26-28 million and trade receivables will diminish by around EUR 33-38 million to approximately EUR 100-105 million, while work in progress will increase by around EUR 29-34 million to around EUR 41-46
IFRS 16	Leases	01.01.2019	The main change, especially for lessees, lies in abandoning the "all or nothing" principle of IAS 17 in favor of the "right of use" model of IFRS 16. The classification of leases as either finance leases or operating leases is discontinued for lessees accordingly. Rent and lease agreements for land and property are also subsumed under leases in the meaning of IFRS 16. For all leases, lessees in the future recognize on their balance sheet a lease liability for the obligation to render future payments to the respective lessors. At the same time, lessees capitalize a right of use to the underlying asset, which corresponds to the present value of the payments to the lessor, plus directly attributable costs, as a matter of principle. The lease liability is subsequently measured applying finance-mathematical regulations similar to those for finance leases under currently valid IAS 17, while the right of use is amortized over the lease duration. The regulations for lessor accounting correspond essentially to the regulations currently valid in IAS 17. The lease classification criteria for lessor accounting have been adopted from IAS 17. IFRS 16 also includes a number of other new regulations relating to the definition of a lease, reporting, and disclosures to be made in the notes to the financial statements, as well as concerning sale-and-lease-back transactions.	The effects of IFRS 16 on the MAX Group's financial position and performance in a worst-case scenario would lead to an increase in lease liabilities, and to the capitalization of a corresponding right-of-use asset in an amount of approximately EUR 21 million. This figure is derived from the note to these financial statements relating to other financial obligations, and accordingly does not include any discounting effects, and none of the exception regulations in IFRS 16 (e.g. short-term leases and low-value assets) of which the MAX Group will make use. The significant proportion is attributable to leased/rented land and buildings. In the statement of comprehensive income, EBITDA and EBIT will rise accordingly due to the introduction of IFRS 16, as the previous lease expenses will be distributed among depreciation and interest expenses in the future. It is not yet possible to precisely quantify the effects in the statement of comprehensive income. The introduction of IFRS 16 will not affect the company's covenants, as these are based on the IAS/IFRS valid in the EU when the syndicated loan was arranged.
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01.01.2018	The amendments aim to reduce the effects of the different first-time application date of IFRS 9 with the successor standard IFRS 4, especially for companies with extensive insurance activities. Two optional approaches are introduced that can be used when meeting certain conditions of insured parties, the overlay approach and the deferred approach.	No effects.

The setters of the standards approved further standards and interpretations, as well as amendments to existing standards, that do not yet require mandatory application in the EU. These relate to the following amendments, as well as standards and interpretations:

Promulgation	Title	Mandatory application for the MAX Group from	Amendments	Potential effects on the presentation of the MAX Group's financial position and performance
Standards and interpretations not yet adopted by the EU:				
IFRS 17	Insurance Contracts	01.01.2021	IFRS 17 regulates the accounting treatment of insurance contracts. The insurance sector is the main addressee.	No effects.
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	This interpretation aims to clarify the accounting treatment of business transactions comprising the receipt or payment of consideration in a foreign currency.	No significant effects.
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	The IASB issued the IFRIC 23 interpretation of the IFRS Interpretations Committee to clarify the accounting treatment of uncertainty relating to income taxes.	No effects.
Amendments to IFRS 2	Classification and Measurement of Share-based Payments Transactions	01.01.2018	The amendments concern individual questions connected with the recognition of cash-settled share-based payments. The main amendment or addition consists in the fact that IFRS 2 now contains regulations relating to the measurement of the fair value of obligations deriving from share-based payments.	No effects.
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	Minor amendments to IFRS 9 Financial Instruments for financial assets with so-called symmetric prepayment options to enable them to be valued at amortized cost or at fair value recognized directly in equity. A clarification is also made relating to modifications to financial liabilities not leading to derecognition.	No effects.
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2018	The amendments clarify that a company is obligated to apply IFRS 9 Financial Instruments and its impairment regulations to long-term interests in associates and joint ventures that mainly comprise a part of the net investment in the associate or joint venture and are not equity accounted. The application of IFRS 9 consequently takes precedence over the application of IAS 28.	No effects.
Amendments to IAS 40	Transfers of Investment Property	01.01.2018	The amendments serve to clarify regulations relating to transfers to or from a portfolio of investment property. In particular, the amendments concern whether properties under development that were previously classified as inventories can be reclassified to the investment property category if an evident change of use has occurred.	No effects.
Diverse	Annual Improvements to IFRSs 2015–2017 Cycle	01.01.2019	The Annual Improvements Cycle 2015 to 2017 comprises improvements to IFRS 13, IFRS 11, IAS 12 and IAS 23.	No significant effects.

2.1 Assets

Purchased intangible assets

Purchased intangible assets (patents rights and licenses, as well as IT software, know-how, technology and brand rights, industrial property rights, websites, order book positions and customer relationships, as well as development projects) are recognized at cost less amortization. Amortization is applied straight-line over economic useful lives of between 1 and 15 years.

Internally generated intangible assets

Internally generated intangible assets (development costs) are also recognized. The useful economic life amounts to between 4 and 5 years. Development costs for newly developed products for which technical feasibility and marketability surveys are available are capitalized at their directly or indirectly attributable production costs to the extent that expenses can be clearly allocated, and insofar as the technical feasibility and marketability of the newly developed products are ensured. Development activity must result with sufficient probability in future cash inflows; borrowing costs are not capitalized. Amortization is applied in line with products' planned economic useful lives. Development costs that are capitalized on the reporting date for development projects that have not yet been fully completed are impairment-tested applying the license analogy method.

Goodwill

Where the acquisition costs for a business combination exceed the sum of the fully remeasured assets and liabilities, including contingent liabilities, such positive differences are capitalized as goodwill. Following reassessment, a negative difference is expensed.

Goodwill is allocated to its respective cash-generating unit, recognized as an asset, and impairment-tested on each reporting date pursuant to IAS 36. In this context, only the operating subsidiaries are allocated to the cash-generating units within the MAX Group. In cases where close supply and service connections exist between Group companies, they are aggregated into operating units, with goodwill being tested for impairment on this basis. Impairment losses are expensed immediately in the statement of comprehensive income, and are not reversed in subsequent periods.

Goodwill deriving from corporate acquisitions preceding the IFRS transition date on January 1, 2004, was transferred from the previous financial statements that were prepared according to the German Commercial Code (HGB), and impairment-tested on that date. Goodwill write-downs applied in previous periods were not reversed.

Goodwill is generally impairment-tested at the level of cash-generating unit. The impairment test is based on measuring the recoverable amount. This is derived from the higher of fair value less costs to sell, and value-in-use. Within the MAX Group, impairment tests are conducted by comparing value-in-use and 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 written down in the amount of the difference.

If the value impairment of the cash generating unit exceeds the carrying amount of the goodwill allocated to it, the surplus impairment is distributed proportionally among the assets allocated to the cash generating unit (IAS 36.104 et seq.). The individual assets' fair value and value-in-use (where determinable) are taken into account as a minimum value in this context.

The carrying amount of the cash-generating unit comprises the net assets, and is derived from operating assets, less disclosed hidden reserves (especially goodwill), and less operating liabilities.

Primarily market price-based methods are applied to measure fair value less costs of disposal. Recourse is made to discounted cash flow (DCF) methods to measure value-in-use.

The weighted average cost of capital (WACC) approach is applied in this context (Institute of Public Auditors in Germany [IDW], Standard IDW RS HFA 16 [30]) The level of market risk premium is selected in compliance with the promulgations of the Institute of Public Auditors in Germany (IDW). The risk-free rate is measured applying a calculation recommended by the IDW (Svensson method). The beta factor, the cost of capital interest rate and the gearing are calculated by making recourse to capital market data for comparable companies from the same sector (peer group).

The following requirements are to be taken into consideration in this context:

- Pursuant to IAS 36.50, cash flows from financing activities as well as for income taxes are not be included in the calculation of value-in-use.
- The costs of equity are calculated based on the capital asset pricing model, and amount to 7.22 % (previous year: 6.69 %). The cost of capital is calculated taking into account a risk-free rate of 1.30 % (previous year: 0.90 %), a risk premium of 6.5 % (previous year: 6.5 %), and a beta of 0.91 (previous year: 0.89). The peer group's borrowing rate amounts to 2.05 % (previous year: 1.78 %). Taking the 5.26 % (previous year: 11.11 %) gearing into account, the weighted average cost of capital amounts to 9.89 % (previous year: 8.77 %).
- The cost of capital is a pre-tax interest rate that reflects current market estimates of the time value of money and the specific risks of the measurement object. As the returns of risky equity instruments that are observable on the capital market frequently include tax effects, the calculated weighted cost of capital has been adjusted to reflect such tax effects.

Value-in-use is calculated by applying the present value of cash flows for two growth phases. The first phase is based on three-year planning prepared by the management of the respective cash-generating unit and approved by the Supervisory Board. Any new information that arises subsequently is taken into account. The second phase is based on a perpetual return on the sustainably recoverable amount based on the final year of the detailed forecast phase, and taking a 1 % growth rate into account. Based on the order book position and the time taken to process it, the selected planning horizon primarily reflects the following assumptions for short-term and medium-term market trends: sales revenue trend, market shares and growth rates, raw materials costs, cost to acquire and retain customers, personnel trends and investments. The MAX Group plans slight increases to sales revenue and EBIT for the 2018 to 2019 periods. These assump-

tions are mainly calculated in-house, and predominantly reflect past experience, or are compared with external market values.

As part of a sensitivity analysis for the groups of cash generating units to which significant goodwill is allocated, a one percentage point increase in the discounting rate and a simultaneous 10 % reduction in cash flows was assumed. On this basis, the company arrives at the conclusion that no impairment losses are required for any of the groups of cash generating units.

Equity accounted investments

Companies over which MAX Automation SE has significant influence, but not control, are recognized applying the equity method. Such companies are recognized at cost when first included in the financial statements. Such interests are carried forward in subsequent periods. Proportionate annual profits or annual losses increase or reduce the value of the interest, although such an interest cannot be written down to lower than EUR 0. Dividends received from the company are deducted from its value.

Property, plant and equipment

Property, plant and equipment are recognized at cost less depreciation, and any requisite impairment losses. In this context, costs of production include not only directly attributable specific costs but also an appropriate portion of production overheads.

Property, plant and equipment are depreciated straight-line over the following useful lives:

Useful lives	
Buildings	5 to 50 years
Exterior facilities	5 to 33 years
Technical plant and machinery	1 to 14 years
Other plant and machinery	1 to 17 years

Economic useful lives are determined taking into account prospective physical wear and tear, technical obsolescence, and legal and contractual restrictions.

Assets under construction are recognized at cost. Borrowing costs for qualifying assets are capitalized. Depreciation for such assets commences when they have been completed, or when they are ready for operation.

Given indications of impairment, the recoverable amount of the asset is determined based on its value-in-use in order to establish the level of impairment loss. The impairment loss is expensed.

If the reason for past impairment no longer applies, the impairment loss is reversed accordingly.

The impairment loss reversal in this context is restricted to the level that would have arisen if no impairment losses had been applied in previous years. Reversals of impairment losses are also recognized in profit or loss.

Investment property
Investment property comprises real estate that is held to generate rental income and/or for value appreciation purposes. An investment property is measured initially at its cost, including transaction costs. Investment properties are subsequently measured at amortized cost based on the cost model. Depreciation is applied straight-line over a period of 18 to 40 years.

An investment property is derecognized on disposal, or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the asset's carrying amount, and is recognized in the statement of comprehensive income in the period when the disposal occurs.

Non-current financial liabilities
Financial assets are measured at cost on the acquisition date.

Interests in subsidiaries and participating interests that are not consolidated are measured at cost, as their fair value cannot be measured reliably.

Loans extended are measured at amortized cost.

Investments that are not recognized at fair value are tested regularly for impairment. Investments that are impaired are written down to their recoverable amount, with related impairment losses being expensed. If the reason for an impairment loss applied in previous periods no longer exists, the impairment loss is reversed through profit or loss.

Inventories
Inventories are recognized at the lower of cost or net realizable value. Besides production materials and production wages, production costs also include materials and production overheads that require capitalization. Discounts are applied to inventories that lack marketability. Costs are allocated to different types of inventory by means of specific allocation, the average method, or the FIFO (first-in, first-out) method.

Impairment losses are applied where specific assets' net realizable values fall below their carrying amounts.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with a construction contract are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. The degree of completion is calculated based on the contract costs that have been incurred for the work rendered in ratio to the expected contract costs (cost-to-cost method). Changes to the contractual work, claims and performance premiums are included to the extent that their level can be determined reliably, and receipt of them is regarded as probable.

If the result of a construction contract cannot be measured reliably, contract revenue is recognized only to the level of the incurred contract costs that can probably be collected. Contract costs are expensed in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Amounts received before the rendering of contract services are deducted from receivables on the consolidated balance sheet. Invoiced amounts for services already rendered that customers have not yet paid are included under trade receivables on the consolidated balance sheet.

Current financial liabilities

Pursuant to IAS 32, financial assets include i.a. trade receivables, receivables due from banks, cash on hand, derivative financial instruments, and marketable other miscellaneous financial assets.

Categorization is applied based on IAS 39:

a) Besides derivative financial assets, financial assets that are measured at fair value through profit or loss include held-for-trading financial assets. Such assets are purchased with the intention of short-term resale (e.g. equities, fixed income securities). Measurement is at fair value; valuation adjustments are recognized in profit or loss.
b) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. These include mainly trade receivables. Following initial recognition, receivables are measured at cost less valuation allowances to cover identifiable risks. General valuation allowances to reflect past default rates are recognized only if they can also be evidenced quantitatively. Gains and losses, as well as interest effects arising from applying the effective interest method, are recognized in profit or loss.

The company assumes that the recognized values of its financial instruments generally correspond to their fair values.

Cash and cash equivalents
Cash and cash equivalents comprise cash and cash equivalents that are measured at cost. They include cash positions, call deposits at banks, and other short-term, highly liquid financial assets with a maximum three-month term as of the acquisition date. The cash and cash equivalents on which the cash flow statement is based corresponds to the cash and cash equivalents as defined here.

2.2 Equity and liabilities

Equity issue costs
Equity issue costs are deducted from the capital reserves after taking into account tax incurred on them.

Non-controlling interests
This offsetting item is carried forward based on pro rata annual results.

Pension obligations
The provisions for pensions and similar obligations are measured applying the projected unit credit method for retirement benefit commitments. The calculation is based on the "2005 G" mortality tables published by K. Heubeck. Not only pensions and entitlements to future pensions that are known on the reporting date are taken into account, but also future expected changes to salaries and pensions. The service cost is included under personnel expenses in the statement of comprehensive income. On origination, actuarial gains and losses, as well as gains and losses from the revaluation of plan assets, are reported in other comprehensive income, deducted from the revenue reserve. The interest cost is reported in the net interest result.

Tax provisions and other provisions
Tax provisions and other provisions are formed to an appropriate level for all identifiable risks and contingent liabilities. The precondition for recognition is that utilization is probable, and that the level of the obligation can be measured reliably. Non-current provisions are discounted.

Liabilities
Liabilities are measured at cost on initial recognition, and at amortized cost in subsequent years. Discounts and transaction costs are taken into account applying the effective interest method. Non-current, non-interest-bearing liabilities are recognized at present value.

2.3 Statement of comprehensive income

Revenue is recognized if the significant risks and opportunities connected with ownership of the sold merchandise and products have transferred to the customer. This typically occurs when the goods are transferred to the customer, with the customer accepting the goods at the same time (acceptance protocols).

Customer-specific construction contracts are measured applying the percentage of completion (PoC) method. Here, the costs incurred during the financial year, and the revenues attributable to the financial year, are recognized in profit or loss according to the percentage of completion. The percentage of completion is measured according to the costs incurred (cost-to-cost method).

Expenditures connected with the development of new products and processes, including significant improvements and refinements to already existing products, are expensed as incurred, to the extent that the criteria for capitalization as development costs are not met.

Other operating income is recognized when a service is rendered, or when a claim is originated. Interest income and interest expenses are recognized in the period in which they are received or incurred.

2.4 Earnings per share

Undiluted (basic) earnings per share are calculated by dividing the share of the net profit that is attributable to the parent company shareholders by the weighted average number of shares in issue during the financial year under review. Diluted earnings per share are calculated by assuming that all potentially dilutive securities are converted or exercised.

2.5 Currency translation

Transactions denominated in foreign currencies are translated into the respective company's functional currency applying the mid spot exchange rate on the transaction date. At the end of the reporting period, the company translates monetary assets and liabilities denominated in foreign currencies into the functional currency applying the mid spot exchange rate valid on that date. Gains and losses from currency translation are recognized in profit or loss in other operating income or other operating expenses in the income statement.

The separate annual financial statements of the foreign subsidiaries included in the consolidated financial statements whose functional currency is not the euro are translated into the Group's currency, the euro, based on their functional currency, which corresponds in each case to the national currency.

Applying the reporting date method, their balance sheets are translated from their functional currency into the reporting currency applying the mid spot exchange rate on the reporting date.

Their income statements are translated applying the average rate for the reporting period.

Equity is translated at historical exchange rates.

Gains and losses from currency translation are carried directly to equity.

		Balance sheet: reporting date rate		Income statement: average rate	
	EUR 1 =	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
China	CNY	7.80440	7.32020	7.62644	7.34956
UK	GBP	0.88720	0.85620	0.87612	0.81890
Hong Kong	HKD	9.37200	8.17510	9.24793	8.18020
Poland	PLN	4.17700	4.41030	4.25630	4.36364
USA	USD	1.19930	1.05410	1.12929	1.10661

		Balance sheet: reporting date rate		Income statement: average rate	
	HKD =	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
China	CNY	0.83270	0.89543	0.84425	0.89223

2.6 Leases

Leases are classified as finance leases if the lease agreement essentially transfers all opportunities and risks connected with ownership to the lessee. All other leases are classified as operating leases.

Assets held as part of a finance lease are recognized by the lessee at the start of the lease as an asset measured at fair value or, if it is lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is reported based on its term among other financial liabilities on the consolidated balance sheet.

The lease payments are divided into financing costs and the capital repayment of the lease liability, so that constant periodic interest is applied to the remaining liability. The financing costs are recognized as interest expenses directly in the statement of comprehensive income. If a finance lease results in a depreciable asset, a depreciation or amortization charge is incurred in each period. Depreciation and amortization charges are calculated applying the regulations of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets that are relevant for the asset.

Lease payments arising from operating leases are expensed straight-line by the lessee over the lease duration, unless another systematic basis corresponds better to the temporal progression of utilization for the MAX Group. Contingent lease payments as part of an operating lease are expensed in the period in which they are incurred.

2.7 Derivative financial instruments and hedges

Derivative financial instruments are deployed exclusively to hedge against currency or interest rate risks. The company does not enter into pure trading transactions without corresponding underlying transactions. In order to limit default risk, derivative financial instruments are concluded exclusively with banks with first-class credit ratings.

Derivative financial instruments are measured at fair value both on first-time recognition and on subsequent measurement. The fair value of a financial instrument is the price for which an independent third party would assume rights or obligations arising from the financial instrument from another independent party. As far as possible, fair values are recognized with the values that are actually to be realized on the market. In the case of listed derivatives, these correspond to the positive or negative market value.

Where a stock market value does not exist for a derivative financial instrument, fair value is derived as a theoretical value applying recognized finance-mathematical methods. Initial recognition occurs on the trade date. Value changes to derivative financial instruments are recognized immediately in profit or loss. IAS 39 hedge accounting is not applied. The section on risk management includes more details.

2.8 Income taxes

The income tax expense represents the sum of current tax expense and deferred tax.

Current and deferred taxes are recognized in the consolidated income statement unless they are connected with items that are recognized either in other comprehensive income or directly in equity. In this case, current and deferred taxes are also recognized in other comprehensive income or directly in equity. If current or deferred taxes arise from the first-time recognition of a business combination, the tax effects are included in the recognition of the business combination.

2.9 Current tax

The current tax expense is calculated based on taxable earnings for the current financial year. Taxable income differs from the net profit reported in the consolidated income statement due to expenses and income that are taxable in subsequent years, never taxable, or tax-deductible. The Group's obligation for current taxes is calculated based on prevailing tax rates.

2.10 Deferred tax

Deferred taxes are recognized for differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax valuations as part of calculating taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences; deferred tax assets are generally reported only to the extent that it is probable that taxable earnings will be available for which the temporary deductible can be utilized. Deferred tax assets and deferred tax liabilities are not recognized if the temporary differences arise from goodwill, or from the first-time recognition of other assets and liabilities (except in the case of business combinations), which arise from events that affect neither taxable income nor net profit for the year.

Deferred tax liabilities are formed for taxable temporary differences that arise from interests in subsidiaries, unless the Group can control the reversal of the temporary differences, and it is probable that the temporary difference will also not reverse within the foreseeable future.

Deferred tax assets that arise from temporary differences connected with interests in subsidiaries are recognized only to the extent that it is probable that sufficient taxable income will be available with which the assets from the temporary differences can be utilized. It must also be assumed that these temporary differences will reverse within the foreseeable future.

The carrying amount of deferred tax assets is reviewed every year on the reporting date, with an impairment loss being applied if it is no longer probable that sufficient taxable income will be available to fully or partly realize the asset.

Deferred tax liabilities and tax assets are measured based on the expected tax rates and tax laws that will be valid prospectively on the day when the liability is satisfied, or the asset is realized. The measurement of deferred tax assets and tax liabilities reflects the tax consequence that arises from the manner in which the Group anticipates on the reporting date that it will satisfy the liability or realize the asset.

3. Consolidation

3.1 Consolidation principles

In the consolidation (elimination) of the investment account, the costs of acquiring the subsidiaries are offset with the fair values of proportionate equity as of the acquisition date (revaluation model). Remaining differences are recognized as goodwill, and tested annually for impairment (DCF method with WACC approach).

As part of consolidating liabilities and income, receivables and liabilities between Group companies, as well as expenses and income incurred or accrued within the Group, are consolidated. Intragroup profits and losses are eliminated.

3.2 Scope of consolidation

All of the Group's active Group companies are included in its scope of consolidation. These comprise majority interests.

Besides MAX Automation SE, the scope of consolidation comprises a total of 26 subsidiaries and second-tier subsidiaries, ESSERT GmbH and the joint venture company Vecoplan FuelTrack GmbH i.L., which is equity accounted, as well as the interest in MAX Automation (Asia Pacific) Co. Ltd.

In line with the clear strategic orientation, existing companies are classified into the segments of Industrial Automation and Environmental Technology. The scope of consolidation is composed as follows:

Number of companies included	2017	2016
Industrial Automation	19	17
Environmental Technology	7	7
Group	**26**	**24**

3.3 Changes to the scope of consolidation

On January 3, 2017, MAX Automation AG reported that with MAX Automation North America Inc. it had opened a location in Atlanta, the capital of the US state of Georgia. The company serves as the operative platform (business hub) for several MAX Automation Group companies in the Industrial Automation segment. From the Atlanta base, the Group companies particularly serve customers in the Midwest in the automotive and medical technology sectors. With presences in South Carolina, Oklahoma and Mexico, MAX Automation is expanding its network on the American continent.

MA micro automation GmbH, St. Leon-Rot, founded a branch operation in Singapore on April 28, 2017, given the further expansion of MA micro automation GmbH toward Asia and the related necessity to establish a local representative office. Customers in the Asian region can now be served faster and better from this location. This site initially comprises a service and sales branch operation from which projects in the Asian region can also be managed. Equally, the replacement parts business for Asian customers will operate from there in the future. The further expansion of the branch operation in order to process complete projects will follow in the future.

4. Notes to the consolidated balance sheet

4.1 Assets

(1) Intangible assets

The following tables show the changes and composition of intangible assets:

TEUR	Concessions, industrial property rights, and similar rights and assets, as well as licenses to such rights and assets	Internally generated intangible assets	Prepayments rendered	Total
Cost				
01.01.2017	32,816	10,333	955	44,104
Change in consolidation scope	0	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	0
31.12.2017	33,271	12,106	1,144	46,521
Cumulative depreciation/amortization/ impairment losses				
01.01.2017	24,900	3,678	130	28,708
Change in consolidation scope	0	0	0	0
Currency differences	–122	0	3	–119
Additions	2,953	1,576	0	4,529
Disposals	–264	0	0	–264
Reclassifications	–10	10	0	0
31.12.2017	27,457	5,264	133	32,854
Carrying amount				
31.12.2017	5,814	6,842	1,011	13,667

TEUR	Concessions, industrial property rights, and similar rights and assets, as well as licenses to such rights and assets	Internally generated intangible assets	Prepayments rendered	Total
Cost				
01.01.2016	32,097	7,431	1,057	40,585
Change in consolidation scope	0	0	0	0
Currency differences	–55	0	–2	–56
Additions	748	2,902	93	3,742
Disposals	–98	0	–111	–209
Reclassifications	124	0	–82	42
31.12.2016	32,816	10,333	955	44,104
Cumulative depreciation/amortization/ impairment losses				
01.01.2016	19,352	2,339	47	21,738
Change in consolidation scope	0	0	0	0
Currency differences	–55	0	–2	–57
Additions	5,615	1,339	85	7,039
Disposals	–12	0	0	–12
Reclassifications	0	0	0	0
31.12.2016	24,900	3,678	130	28,708
Carrying amount				
31.12.2016	7,916	6,655	825	15,396

Intangible assets comprise licenses, IT software, technologies, development projects, websites, brands and customer relationships.

The internally generated intangible assets relate to the Group companies' capitalized development costs. Development costs of TEUR 1,773 (previous year: TEUR 2,902) were capitalized.

(2) Goodwill

The reported goodwill from capital consolidation (elimination of the investment account) is comprised as follows in detail:

TEUR	Goodwill	Total
Cost		
01.01.2017	63,115	63,115
Change in consolidation scope	0	0
Currency differences	–58	–58
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2017	63,057	63,057
Cumulative depreciation/amortization/impairment losses		
01.01.2017	9,976	9,976
Change in consolidation scope	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

TEUR	Goodwill	Total
Cost		
01.01.2016	63,104	63,104
Change in consolidation scope	0	0
Currency differences	11	11
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2016	63,115	63,115
Cumulative depreciation/amortization/impairment losses		
01.01.2016	9,978	9,978
Change in consolidation scope	0	0
Currency differences	–2	–2
Additions	0	0
Disposals	0	0
Reclassifications	0	0
31.12.2016	9,976	9,976
Carrying amount		
31.12.2016	53,139	53,139

Goodwill decreased minimally to TEUR 53,091 in the financial year under review (previous year: TEUR 53,139). This reduction arises from currency translation effects in the Environmental Technology subgroup.

TEUR	31.12.2017	31.12.2016
Goodwill	**53,091**	**53,139**
Industrial Automation	46,715	46,715
– of which NSM Magnettechnik Group	12,124	19,788
– of which MA micro automation GmbH	11,661	11,661
– of which iNDAT Robotics GmbH	7,663	0
– of which ELWEMA Automotive GmbH	4,165	4,165
– of which bdtronic Group	6,163	6,163
– of which IWM Automation Group	2,676	2,676
– of which Mess- und Regeltechnik Jücker GmbH	1,403	1,403
– of which AIM Micro Systems GmbH	860	860
Environmental Technology	**6,375**	**6,424**
– of which the Vecoplan Group	6,375	6,424

The decrease in goodwill at the NSM Magnettechnik Group from TEUR 19,788 to TEUR 12,124 derives from the organizational reassignment of iNDAT Robotics GmbH. MAX Management GmbH has held the shares in iNDAT Robotics GmbH since January 1, 2017.

(3) Property, plant and equipment

The increase in land and buildings arises mainly from the reclassification of TEUR 1,839 from prepayments rendered, which reduced accordingly. This relates to the restructuring and expansion of a production hall of ELWEMA Automotive GmbH.

TEUR	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Plant under construction	Prepayments rendered	Total
Cost						
01.01.2017	40,211	15,052	19,134	711	46	75,154
Change in consolidation scope	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
Cumulative depreciation/ amortization/impairment losses						
01.01.2017	17,516	11,380	14,634	0	0	43,530
Change in consolidation scope	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

TEUR	Land and buildings	Technical plant and machinery	Other plant, operating and office equipment	Plant under construction	Prepayments rendered	Total
Cost						
01.01.2016	36,525	15,041	17,632	668	2,510	72,376
Change in consolidation scope	0	0	0	0	0	0
Currency differences	81	8	53	0	0	141
Additions	654	929	1,781	1,095	563	5,022
Disposals	–158	–927	–342	–918	0	–2,344
Reclassifications	3,109	0	10	–134	–3,027	–42
31.12.2016	40,211	15,052	19,134	711	46	75,154
Cumulative depreciation/amortization/ impairment losses						
01.01.2016	16,419	10,019	13,404	0	0	39,842
Change in consolidation scope	0	0	0	0	0	0
Currency differences	22	12	32	0	0	66
Additions	1,232	1,830	1,476	0	0	4,538
Disposals	–157	–482	–279	0	0	–918
Reclassifications	0	0	0	0	0	0
31.12.2016	17,516	11,380	14,633	0	0	43,528
Carrying amount						
31.12.2016	22,695	3,672	4,501	711	46	31,625

(4) Investment property

Investment property includes land and buildings of the unsold partial land plot/buildings of the former BTD division, whose fair value corresponds to the carrying amount on the reporting date.

The amount of TEUR 37 was expensed for the maintenance of the utilized investment property (previous year: TEUR 17). The changes in investment properties are as follows:

TEUR	Land	Buildings	Total
Cost			
01.01.2017	296	5,085	5,381
Change in consolidation scope	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
Cumulative depreciation/amortization/impairment losses			
01.01.2017	0	3,977	3,977
Change in consolidation scope	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

TEUR	Land	Buildings	Total
Cost			
01.01.2016	479	19,594	20,073
Change in consolidation scope	0	0	0
Currency differences	0	0	0
Additions	0	0	0
Disposals	–183	–14,509	–14,692
Reclassifications	0	0	0
31.12.2016	296	5,085	5,381
Cumulative depreciation/amortization/impairment losses			
01.01.2016	0	16,107	16,107
Change in consolidation scope	0	0	0
Currency differences	0	0	0
Additions	0	463	463
Disposals	0	–12,593	–12,593
Reclassifications	0	0	0
31.12.2016	0	3,977	3,977
Carrying amount			
31.12.2016	296	1,108	1,404

(5) Equity accounted investments

The Vecoplan FuelTrack GmbH i.L. joint venture, which was founded on April 7, 2011 and which is 49 % held by Vecoplan AG, was recognized at its acquisition cost of TEUR 25, and fully written off in 2011 due to start-up losses. The winding down of the company was approved by way of shareholder resolution on March 4, 2014.

Furthermore, since January 20, 2017, MAX Automation SE has held a 44.5 % interest in ESSERT GmbH as an associate, which is also equity accounted.

The aggregate net result of the equity accounted associates amounts to TEUR –770 for the 2017 financial year.

(6) Other investments

Other investments of TEUR 2,593 (previous year: TEUR 2,270) include, among other items, a vendor loan of TEUR 969 (previous year: TEUR 1,087) and a dormant equity investment of TEUR 800 (previous year: TEUR 800). Both the vendor loan and the dormant equity investment were originated in 2016 in connection with the management buyout at altmayerBTD GmbH & Co. KG.

In an amount of TEUR 353, the shares in MAX Automation (Asia Pacific) Co. Ltd. in Hong Kong, in which MAX Automation SE holds a 25 % interest, were added to other financial assets this year.
In the previous year, other investments also included TEUR 30 of interests in affiliated companies. These relate to an interest in a general partnership limited liability company. This investment is of minor significance for the consolidated financial statements and was merged with its parent entity in the current financial year.

Other non-current financial assets exist in an amount of TEUR 471 (previous year: TEUR 353), and mainly include a tenant loan of TEUR 357 (previous year: TEUR 271).

(7) Deferred tax

Deferred taxes are to be allocated to the following balance sheet items in line with their origination:

TEUR	31.12.2017		31.12.2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current balance sheet items				
A. Non-current assets	**5,430**	**3,938**	**5,592**	**8,669**
I. Intangible assets	323	3,303	323	7,930
II. Property, plant and equipment	224	577	207	640
III. Non-current financial liabilities	14	58	14	99
IV. Deferred tax assets for tax loss carryforwards	4,869	0	5,048	0
B. Non-current borrowings	**125**	**60**	**141**	**49**
Current balance sheet items				
C. Current assets	**1,548**	**4,159**	**1,687**	**4,330**
I. Inventories and trade receivables	1,548	3,957	1,687	4,330
II. Current financial liabilities	0	202	0	0
D. Current borrowings	**219**	**88**	**486**	**179**
Sub-total	**7,322**	**8,245**	**7,906**	**13,227**
Valuation adjustments applied to loss carryforwards	**–625**	**0**	**–199**	**0**
Offsetting	**–1,973**	**0**	**–1,715**	**0**
Total	**4,724**	**8,245**	**5,992**	**13,227**

Deferred tax assets and deferred tax liabilities arising from long-term construction contracts were offset, as were deferred tax assets and deferred tax liabilities within the Group's fiscal units for corporation tax purposes.

Deferred tax on goodwill in an amount of TEUR 4,251 (previous year: TEUR 2,395) was released through profit or loss, thereby increasing the results, and taking into account a low-tax interest. Retroactive taxation deadlines were applicable to goodwill pursuant to the German Transformation Taxation Act (UmwStG), which have now expired.

In the previous year, domestic trade tax loss carryforwards of TEUR 758 existed at the parent company, which were utilized in full in 2017.

In addition, domestic trade tax loss carryforwards exist in an amount of TEUR 13,901 (previous year: TEUR 14,925), and corporation tax loss carryforwards in an amount of TEUR 14,393 (previous year: TEUR 14,657), with deferred tax assets totaling TEUR 4,069 (previous year: TEUR 4,157), which were value-adjusted in an amount of TEUR 11 (previous year: TEUR 0). The domestic loss carryforwards amount to TEUR 3,196 (previous year: TEUR 3,175), with the related deferred tax assets of TEUR 800 (previous year: TEUR 787) being value-adjusted in an amount of TEUR 614 (previous year: TEUR 199).

When measuring the value retention of the loss carryforwards, minimum taxation has had to be taken into account in Germany. Loss carryforwards can be offset against subsequent years' profits up to TEUR 1,000 on an unlimited basis, and beyond by up to 60 %.

The value retention of the deferred tax assets relating to loss carryforwards was reviewed. The realization of these loss carryforwards is sufficiently ensured.

Of the deferred tax assets relating to loss carryforwards after valuation adjustments, an amount of TEUR 4,057 (previous year: TEUR 4,261) is covered through deferred tax liabilities. Deferred tax assets of TEUR 187 (previous year: TEUR 588) comprise loss carryforwards that are not covered by deferred tax liabilities, and where losses occurred in previous periods. Measures to utilize the losses in the near term are, and were, being implemented.

The following amounts are reported in the consolidated balance sheet:

TEUR	31.12.2017	31.12.2016
Deferred tax assets:		
– from deductible differences	2,453	2,858
– from tax loss carryforwards	4,244	4,849
– offsetting with deferred tax liabilities	–1,973	–1,714
Total deferred tax assets	**4,724**	**5,993**
Deferred tax liabilities:		
– from taxable temporary differences	8,245	13,227

(8) Other non-current assets

The other non-current assets of TEUR 601 (previous year: TEUR 335) comprise mainly non-current trade receivables in an amount of TEUR 598 (previous year: TEUR 333).

(9) Inventories

TEUR	31.12.2017	31.12.2016
Raw materials and supplies	15,691	16,270
Unfinished goods and work-in-progress	12,375	16,472
Finished goods and services	10,363	5,154
Prepayments rendered	3,666	3,318
Inventories	**42,095**	**41,214**

A year-on-year inventory change of TEUR 1,694 (previous year: TEUR 2,641) occurred in the case of finished goods and services, which is reported in the statement of comprehensive income. Differences to the corresponding balance sheet items arise from value changes to foreign Group companies' inventories reflecting changes in foreign currency exchange rates.

Impairment losses of TEUR 4,358 are included in inventories (previous year: TEUR 3,573). Information about collateral assignments is included in section 4.2 (17).

(10) Trade receivables

Trade receivables include receivables arising from applying the PoC method to construction contracts:

TEUR	31.12.2017	31.12.2016
Receivables from construction contracts	178,574	192,694
Proportionately recognized cost	–157,572	–172,199
Reported unappropriated retained earnings	**21,002**	**20,495**
Prepayments received for construction contracts	–95,786	–116,843
Current receivables from construction contracts	**82,788**	**75,851**

Revenues of TEUR 210,645 were recognized from construction contracts during the period under review (previous year: TEUR 177,303).

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

TEUR	31.12.2017	31.12.2016
Trade receivables:		
Neither overdue nor individually value-adjusted receivables	37,612	31,284
Individual value allowances	–1,295	–1,215
Collective value allowances	–345	–313
Overdue receivables that are not individually value-adjusted		
< 30 days	7,216	6,632
> 30 days	2,323	2,173
> 60 days	2,764	2,132
> 90 days	5,955	3,461
Overdue receivables, total	**18,258**	**14,398**
Individually value-adjusted receivables	1,308	1,223
Carrying amount	**55,538**	**45,377**
Receivables from construction contracts	178,574	192,694
Prepayments received from construction contracts	–95,786	–116,843
Trade receivables	**138,326**	**121,227**

The increase in the portfolio of receivables derives mainly from a year-on-year lower volume of prepayments rendered for construction contracts.

(11) Receivables due from related companies

The TEUR 40 item relates mainly to trade receivables due from ESSERT GmbH. In the previous year, this item related to trade receivables due from Vecoplan FuelTrack GmbH i.L. in an amount of TEUR 90.

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

TEUR	31.12.2017	31.12.2016
Claims made against tax authorities	1,945	3,534
Prepayments and accrued income	1,276	1,402
Receivables arising from compensation claims	624	575
Derivatives	325	0
Receivables due from employees	220	220
Supplier accounts in debit	75	171
Receivables from purchase price payments	0	4,250
Other receivables	1,174	463
Total	**5,639**	**10,615**

In the previous year, the receivable deriving from a purchase price payment related to the partial disposal of an investment property, which was settled in the reporting year.

(13) Cash and cash equivalents

Cash and cash equivalents of TEUR 26,154 (previous year: TEUR 23,023) comprise cash positions, checks and bank deposits.

4.2 Equity and liabilities

Equity

Changes to equity during the financial year are presented separately in the consolidated statement of changes in equity.

4.3 Capital measure

With a resolution dated August 15, 2017, the Executive Directors of MAX Automation SE, full utilized the authorization to increase the share capital by up to 10 %, or EUR 2,665,000, against cash capital contributions under exclusion of subscription rights (Approved Capital II). The capital increase was entered in the commercial register on September 7, 2017.

(14) Subscribed share capital

The company's fully paid in share capital amounts to EUR 29,459,415.00.

It is divided into 29,459,415 no par value ordinary registered shares. As a consequence, one ordinary share corresponds to the notional investment value of EUR 1.00.

The Administrative Board determines the form of the share documents, and of the dividend coupons and renewal sheets. The same applies for bonds.

The company can aggregate individual shares within share documents that securitize multiple shares (multiple share certificate). Shareholders' entitlement to any securitization of their interests above and beyond this is excluded.

The Administrative Board is authorized to increase the company's share capital once or on several occasions during the period until June 29, 2020, by up to a total of EUR 4,019,000.00 against cash capital contributions through issuing new ordinary registered shares (with voting rights) (Approved Capital I). The new shares are to be offered to shareholders for subscription, whereby indirect subscription rights in the meaning of Section 186 (5) Clause 1 of the German Stock Corporation Act (AktG) are satisfactory. The Administrative Board is nevertheless authorized to exclude fractional amounts from shareholders' subscription rights. The Administrative Board is also authorized to determine a commencement of dividend-entitlement that differs from the law, as well as further specifics of the implementation of capital increases from Approved Capital I. The Administrative Board is authorized to adapt the wording of the articles of incorporation after the full or partial implementation of the increase of share capital from Approved Capital I, or after the expiry the authorization period, in accordance with the scope of the capital increase from Approved Capital I.

The company has not utilized this authorization to date.

(15) Capital reserves and revenue reserve

The consolidated statement of changes in equity presents the composition and changes in the capital reserves and the revenue reserve.

The capital reserves include the TEUR 15,990 premium from the capital increase from Approved Capital II approved on August 15, 2017. Costs for the capital increase, less the incurred tax effect of TEUR 138, are to be deducted from this.

Along with income tax, the revenue reserve also includes actuarial gains and losses on pension provisions. These amounted to TEUR -205 in 2017 (previous year: TEUR -229).

(16) Unappropriated retained earnings

Due to the provisions of the German Stock Corporation Act (AktG), the amount that is available for distributions of dividends to the shareholders is based on the unappropriated retained earnings and other revenue reserves as reported in the separate annual financial statements of MAX Automation SE, which are prepared in accordance with the provisions of the German Commercial Code (HGB). The separate financial statements of MAX Automation SE for 2017 report unappropriated retained earnings of TEUR 12,309 based on accounting pursuant to the German Commercial Code (HGB).

The Administrative Board proposes the distribution of a dividend of 0.15 euro cents per share from the unappropriated retained earnings. This corresponds to a total dividend payout amount of TEUR 4,419. The dividend payout results generally in a deduction of 25 % capital gains tax and 5.5 % Solidarity Surcharge on the capital gains tax (the total deduction consequently amounts to 26.375 %), as well as any church tax.

Capital management

The overall framework for optimal capital management is set by the strategic orientation of the MAX Group. The focus is on long-term value growth in the interests of investors, employees and customers. This is to be taken into account through continuous earnings improvement generated by growth and efficiency enhancement.

Management of the capital structure aims to always ensure maximum flexibility and scope for capital market activity. This enables optimal pricing when raising equity and debt financing.

Non-current liabilities

(17) Non-current financial liabilities

TEUR	31.12.2017	31.12.2016
Non-current loans less current portion	**64,847**	**64,063**
Remaining term 1-5 years	63,830	62,448
Remaining term > 5 years	1,017	1,615
Other non-current liabilities	**1,794**	**2,222**
Remaining term 1-5 years	1,273	1,369
Remaining term > 5 years	521	853
Total	**66,641**	**66,285**

The non-current loans relate to bank borrowings and include the parent company syndicated loan in an amount of TEUR 61,158 (previous year: TEUR 59,342).

Other non-current liabilities mainly comprise lease liabilities (see following section on finance leases).

Non-current loans less current portion

On July 31, 2017, MAX Automation AG expanded the syndicated loan it had agreed in 2015 and also extended it until 2024. As a consequence, a EUR 40 million increase in the syndicated loan to a total volume of EUR 190 million was agreed (including bill guarantee lines for prepayments, warranties and contract fulfillment). MAX Automation exploited the continued favorable financing environment to enlarge the syndicated loan. The agreement comprises improved terms as well as comfortable covenants based on the IFRS consolidated financial statements. These relate to both balance sheet and earnings figures. In 2017, the MAX Group complied with all covenants agreed with its lending banks.

The companies included in the syndicated loan are jointly and severally liable for the obligations arising from this agreement. Utilization is deemed unlikely as the debtors' creditworthiness is secured through their membership of the MAX Group. The level of the interest rate on the syndicated loan depends in part on key balance sheet figures in the consolidated financial statements. Interest is based on Euribor plus a margin derived from the key figures.

Land charges for liabilities of TEUR 5,210 (previous year: TEUR 8,301) and collateral assignment of non-current assets in an amount of TEUR 0 (previous year: TEUR 791) mainly serve as collateral for the non-current liabilities apart from the syndicated loan, as well as for the current liabilities reported in section 4.2 (20).

The Group's loans carry interest at both fixed and variable rates. Depending on the term of the agreements, interest rates (including finance leases) ranged between 1.40 % and 5.70 % in 2017.

Finance leases

A finance lease for a property exists within the MAX Group. The basic rental period for the property amounts to 15 years.

The leases in the previous year for technical plant as well as operating and office equipment were repaid early in the financial year under review. The related assets were acquired by the respective Group companies.

After the end of the basic rental period, the property carries both an option for a further rental period, as well as a purchase option. Both the lessee and the lessor can unilaterally exercise the purchase option.

The lease contract does not include any types of restrictions on business activities relating to dividends, additional liabilities or further leases.

The historical acquisition costs for the lease assets amounted to TEUR 3,527 (previous year: TEUR 4,661). The net carrying amount stands at TEUR 2,658 on the reporting date (previous year: TEUR 3,550). Depreciation of TEUR 197 was applied in the year under review (previous year: TEUR 377).

TEUR	up to 1 year	1 to 5 years	longer than 5 years	Total
Minimum lease payments	349	1,403	545	2,297
Future borrowing costs	103	257	24	384
Present values	246	1,146	521	1,913

(18) Pension provisions

The pension provisions recognized on the balance sheet arise from commitments made by a subsidiary to its employees. The defined benefit obligations within the MAX Group are not financed through funds.

The following key assumptions were included in the actuarial calculations:

TEUR	31.12.2017	31.12.2016
Interest rate	1.90 %	1.58 %
Salary trend	1.5 %	1.5 %
Pension trend	2.0 %	2.0 %
Notional staff turnover rate	None	None
Notional pensionable age	65 years	65 years

Cost trends in the medical care area have not been taken into consideration in the actuarial assumptions.

The projected pension benefit obligations report the following changes:

TEUR	31.12.2017	31.12.2016
Balance as of January 1	1,033	1,082
Service cost	0	0
Interest cost	16	25
Actuarial gains and losses	–34	–22
Pensions paid	–52	–52
Offsetting with reinsurance	0	0
Pension provision	**963**	**1,033**

Actuarial gains and losses were recognized directly in equity.

The pension obligations report the following changes over the last five years:

TEUR	2017	2016	2015	2014	2013
Pension obligation as recognized on the balance sheet	963	1,033	1,082	814	715
Plan assets offset	0	0	0	156	140

No significant adjustments to the pension obligations are expected based on experience.

Besides pension payments (TEUR 53), pension costs (interest and current service costs) of prospectively TEUR 18 will be incurred in 2018.

Due to the minor significance for the financial position and performance of the MAX Group, the company has refrained from conducting a sensitivity analysis of the pension obligations.

(19) Trade payables

TEUR	2017	2016
Trade payables	32,241	31,949
Prepayments received unrelated to construction contracts	19,192	18,808
Obligations from construction contracts	14,469	6,959
Liabilities from unbilled deliveries and outstanding assembly work	6,281	3,809
Liabilities to subcontractors	431	263
Trade payables	**72,614**	**61,788**

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

Short-term bank borrowings of TEUR 8,416 (previous year: TEUR 28,840) were drawn down, for which interest is charged on standard market terms. This includes TUSD 6,840 utilized by the US Group companies from an allocation line of the syndicated loan from Commerzbank in New York.

The level and composition of collateral is presented in section 4.2 (17).

(21) Liabilities to related companies

The liabilities to related companies derive from trade payables due to ESSERT GmbH in an amount of TEUR 148.

(22) Other current financial liabilities

TEUR	31.12.2017	31.12.2016
Wages and salaries	6,145	4,114
Vacation wages/salaries and overtime	3,335	3,104
Debtor accounts in credit	938	1,133
Social security liabilities	606	567
Lease liabilities	246	562
Negative market values of derivative financial instruments	0	2
Acquisition price obligation for iNDAT Robotics GmbH	0	994
Miscellaneous current liabilities	1,629	1,796
Total	**12,899**	**12,271**

Wages and salaries include TEUR 5,790 of bonuses (previous year: TEUR 3,525).

(23) Income tax provisions and liabilities

Taxes and levies which have arisen economically as of the balance sheet date but whose level has not yet been determined are covered by tax provisions. In Germany, the MAX Group is generally subject to two types of taxes on its income: trade tax and corporation tax.

As far as corporation tax is concerned, the standard tax rate of 15 % applies, to which a 5.5 % Solidarity Surcharge is added. Trade tax amounts to an average of around 14 %. The average tax rate in Germany amounts to 29.83 % as a consequence. The MAX Group abroad mainly generates taxable earnings in the USA. The average tax rate in the USA amounts to 35.64 %.

Tax provisions report the following changes:

TEUR	31.12.2016	Consumption	Reversals	Additions	31.12.2017
Corporation tax with Solidarity Surcharge	366	–1	–11	2,058	2,412
Trade tax	1,303	–501	–173	1,276	1,905
Other taxes	356	–7	0	83	432
Total provisions	**2,025**	**–509**	**–184**	**3,417**	**4,749**
Tax liabilities	**589**	**–376**	**0**	**0**	**213**
Income tax provisions and liabilities	**2,614**	**–885**	**–184**	**3,417**	**4,962**

The changes arising from currency translation are not reported separately due to their being immaterial, and are included among additions to provisions.

(24) Other provisions

Other provisions comprise the following main items:

TEUR	31.12.2016	Consumption	Reversals	Reclassification	Additions	31.12.2017
Non-current warranty provisions	1,156	–149	–7	238	178	1,416
Non-current personnel cost provisions	64	0	0	0	0	64
Non-current miscellaneous other provisions	10	0	0	0	0	10
Other non-current provisions, total	**1,229**	**–149**	**–7**	**238**	**178**	**1,489**
Warranty provisions	2,775	–239	–1,783	–238	2,190	2,705
Personnel cost provisions	425	–107	–34	0	0	284
Miscellaneous other provisions	2,518	–1,910	–289	0	1,805	2,124
Other current provisions, total	**5,718**	**–2,256**	**–2,106**	**–238**	**3,995**	**5,113**

Miscellaneous other provisions include all of the Group's obligations and risks for which an outflow of funds is probable, and which can be estimated reliably. Among other items, these include obligations for subsequent invoices of TEUR 672 (previous year: TEUR 509), for auditing and advisory costs of TEUR 550 (previous year: TEUR 778), for litigation costs/loss compensation of TEUR 93 (previous year: TEUR 60), for commissions of TEUR 2 (previous year: TEUR 84) and for other of TEUR 807 (previous year: TEUR 1,086).

The changes arising from currency translation are not reported separately due to their being immaterial, and are included among additions to provisions.

(25) Other current liabilities

This item of TEUR 2,845 (previous year: TEUR 2,066) mainly comprises wage and church taxes of TEUR 1,325 (previous year: TEUR 1,247) and VAT of TEUR 1,520 (previous year: TEUR 818).

5. Notes to the statement of comprehensive income

The presentation of the statement of comprehensive income was adjusted in the 2017 financial year so that EBIT is no longer reported separately before PPA. The same applies to amortization relating to purchase price allocations.

EBIT before PPA continues to be reported as an important key indicator for the MAX Group.

(26) Revenue

TEUR	2017	2016
Germany	120,483	102,253
European Union	95,617	105,706
North America	93,025	69,693
China	34,932	32,043
Rest of the World	32,123	27,443
Total	**376,180**	**337,138**

The MAX Group generally generates revenue from the sale of goods and services. The effects of accounting for construction contracts are presented in section 4.1 (10).

(27) Other operating revenue

TEUR	2017	2016
Income from release of provisions	2,113	1,940
Income from currency effects	1,309	2,425
Income from the consumption of personnel-related liabilities in accordance with regulations	1,109	802
Income from elimination of valuation adjustments	426	438
Income from written-off receivables	218	61
Income from loss compensation	53	225
Gain on disposal of investment property	0	1,689
Other	1,971	2,199
Total	**7,199**	**9,778**

The Other item mainly comprises non-cash benefits of TEUR 651 (previous year: TEUR 624), and bonuses of TEUR 521 that have not yet been disbursed (previous year: TEUR 583).

(28) Cost of materials

TEUR	2017	2016
Expenses for purchased goods	144,900	134,316
Expenses for purchased services	51,377	41,289
Total	**196,276**	**175,605**

(29) Personnel expenses

TEUR	2017	2016
Wages and salaries	94,825	89,714
Social security contributions	17,507	16,839
– of which expenses for pensions and benefits	595	688
Total	**112,332**	**106,553**

Average number of employees excluding trainees	2017	2016
Wage earners	510	493
Salary earners	1,066	1,056
Total	**1,576**	**1,549**

(30) Depreciation, amortization and impairment losses

TEUR	2017	2016
For intangible assets	4,529	7,039
For buildings, leasehold improvements and external facilities	1,221	1,232
For other property, plant and equipment	2,678	3,306
For investment property	25	463
For equity accounted investments	223	0
– PPA amortization included in the items above	2,040	4,974
Total	**8,676**	**12,040**

PPA amortization includes TEUR 0 of impairment losses in the financial year under review (previous year: TEUR 1,537).

The amortization of equity accounted financial investments relates to PPA-related amortization that the company does not report in the result from equity accounted companies.

(31) Other operating expenses

TEUR	2017	2016
Travel expenses	5,934	5,751
Rent/lease expenses	4,043	3,630
Expense for outgoing freight	4,040	3,314
Vehicle expenses	3,471	3,696
Legal and advisory costs	3,388	3,551
Expense for postage, telephone and IT	2,875	2,578
Warranty expenses	2,537	1,657
Maintenance costs	2,311	2,521
Sales commissions	2,301	1,937
Personnel expenses (including training and further development)	1,999	1,765
Expenses from currency effects	1,982	1,992
Advertising costs	1,859	1,257
Expense for electricity, gas and water	1,678	1,775
Expense for insurance	1,316	1,349
Trade fair costs	846	1,333
Tools	678	593
Addition to individual and collective value allowances	611	667
Miscellaneous other operating expenses	7,956	6,660
Total	**49,826**	**46,026**

Travel expenses of TEUR 5,934 (previous year: TEUR 5,751) were incurred mainly for employees engaged in assembly, as well as for sales staff.

Personnel expenses of TEUR 1,999 (previous year: TEUR 1,765) include chiefly expenses for training and further development of staff, as well as expenses for staff recruitment, and for voluntary social benefits.

(32) Net interest result

TEUR	2017	2016
Interest income	383	85
Interest expenses	–3,542	–2,931
Net interest result	**–3,159**	**–2,846**

Interest expenses mainly comprise interest expenses incurred for the syndicated loan.

The net interest result includes expenses of TEUR 39 (previous year: TEUR 129) arising from reversing discounts applied to non-current provisions, and TEUR 9 (previous year: TEUR 0) of income arising from the discounting of non-current provisions.

The net interest result presented above arises exclusively from financial assets and financial liabilities that were not measured at fair value through profit or loss.

The following table presents the net gains or net losses on financial instruments as recognized in the statement of comprehensive income, which are not reported in the net interest result:

TEUR	2017	2016
Financial assets and financial liabilities measured at fair value through profit or loss	296	110
Loans and receivables	–1,501	–157

Along with results from market changes, the net gains and losses on financial assets and financial liabilities measured at fair value through profit or loss also include current expenses and income for these financial instruments.

Along with current income/expenses, the net gains and net losses deriving from loans and receivables include both reversals to impairment losses and impairment losses deriving from trade receivables and trade payables.

(33) Income taxes

Earnings before income taxes amount to TEUR 17,030 (previous year: TEUR 9,543).

TEUR	2017	2016
Current taxes on income	–5,699	–4,805
Taxes on income relating to other periods	–960	62
Deferred tax	3,756	3,542
– of which loss carryforwards	595	599
Total	**–2,903**	**–1,201**

Current and deferred taxes are measured applying the respective country-specific income tax rates.

The main accounting entries for deferred taxes are explained in section 4.1 (7).

A provision of TEUR 1,194 was formed for risks arising from the German Federal Ministry of Finance (BMF) circular relating to Section 8c of the German Corporation Tax Act (KStG), which was issued at the end of 2017. This is included in taxes relating to other accounting periods.

The expected notional income tax expense is derived by multiplying the earnings for the year before income taxes by the Group income tax rate. This is derived from the tax rates of the companies that are included in the financial statements. The 2017 tax rate reduced considerably due to this special effect, as in the previous year.

Please see section 4.1 (7) for an explanation of the adjustment of previous years' deferred tax.

The reconciliation between the notional income tax expense and the income tax reported in the statement of comprehensive income is presented in the following table:

TEUR	2017	2016
Earnings for the year before income taxes	17,030	9,543
Group income tax rate	30.39 %	32.79 %
Notional income tax expense in the financial year under review	**5,176**	**3,129**
Differences deriving from tax rate	282	70
Differing tax burdens (country-specific particularities)	–70	0
Correction relating to a value adjustment to deferred tax assets relating to loss carryforwards	427	354
Non-tax-deductible expenses	277	165
Income taxes relating to other periods/adjustment to previous years' deferred taxes	–3,428	–2,240
Taxes borne by minority shareholders	0	–8
Current-year tax calculation differences	4	5
Other	234	–274
Taxes on income	**2,903**	**1,201**
Effective tax rate	**17.04 %**	**12.59 %**

(34) Earnings per share (EPS)

Earnings per share amount to EUR 0.50. Further information on earnings per share, please see section 6.4 below.

6. Other disclosures relating to the consolidated financial statements

6.1 Consolidated statement of cash flows

The consolidated statement of cash flows is presented applying the indirect method.

The change in deferred tax is included in other non-cash expenses and income.

The following table shows the changes in liabilities from financing activities.

TEUR	31.12.2016	Outgoing payments	Incoming payments	Other changes	Corporate acquisitions	New lease contracts	Fair value changes	Currency effects	31.12.2017
Non-current financial liabilities	64,063	–125,716	109,500	17,000	0	0	0	0	64,847
Current financial liabilities	28,840	–3,424	0	–17,000	0	0	0	0	8,416
Lease liabilities	2,640	–727	0	0	0	0	0	0	1,913
Other non-current liabilities	142	–40	0	26	0	0	0	0	128
Total	**95,685**	**–129,907**	109,500	26	0	**0**	**0**	**0**	**75,304**

The other changes relate mainly in an amount of TEUR 17,000 to the prolongation of a line from the syndicated loan, leading to a change in recognition from current financial liabilities to non-current financial liabilities.

6.2 Research and development

Section 1.3 in the notes to the consolidated financial statements includes information about MAX Group research and development activities.

Development costs totaling TEUR 2,328 were incurred in 2017 (previous year: TEUR 4,408). Of this, an amount of TEUR 1,773 was capitalized pursuant to IAS 38 Intangible Assets (previous year: TEUR 2,902). This corresponds to a 76 % capitalization rate (previous year: 66 %). Amortization and impairment losses of TEUR 1,577 were applied to development costs (previous year: TEUR 1,339).

All of the capitalized development costs are attributable to the Industrial Automation segment.

6.3 Risk management

General information about financial risks

Various risks from financial instruments can arise for the MAX Automation Group.
These are:

- Credit risks
- Liquidity risks
- Market price risks

Credit risks arise mainly from trade receivables. Special significance is ascribed in this context to the estimating of risks from the project business, such as from the pre-financing of contracts.

Liquidity risks may arise from an inability to satisfy payment obligations in due time. As a rule, such risks are normally associated with negative developments in the operating business.

Market price risks derive from changes to currency exchange rates and interest rates. Currency risks exist on the sales side chiefly in the case of invoicing on a US dollar basis.

In general, the risks that are presented can negatively affect the Group's financial position and performance.

The Group monitors the deployment of financial instruments as part of its risk management. Important functions are separated in this context: firstly, in relation to the operating processing of business by the Group companies and, secondly, in relation to financial controlling by the parent company. The Group's guidelines are oriented to identify potential risks at an early stage, thereby allowing countermeasures to be launched. These guidelines are constantly adapted to market requirements accordingly.

The focus of risk management is steered via the operating business and financing activities. Moreover, derivative financial instruments are deployed only to reduce or avoid risks arising from the operating business. Section 5.3.3. on market price risks provides additional information about the derivative financial instruments.

Risk categories

6.3.1 Credit risks

Credit risk describes the risk of financial loss if a counterparty fails to fulfill its contractual obligations or payment obligations. Such risk mainly comprises default risk, and the risk of a deterioration in credit standing.

Trade receivables arise from the worldwide sales activities of the individual companies' operating businesses. A total of 11.2 % of the Group's trade receivables position exist in relation to one customer. This customer has a very good credit rating, however. The Group manages credit risk on the basis of internal financial controlling.

Deriving from the differing credit ratings of the customers, the following credit insurance is taken out, as a rule:

- Export insurance
- Letters of credit
- Prepayments
- Guarantees and letters of comfort
- Internal credit lines
- Collateral assignments

The Group's default risks are limited to normal business risk that is reflected potentially through the formation of valuation adjustments. Counterparty risk on derivative financial instruments is countered by concluding derivative transactions exclusively with renowned banks.

The maximum default risk (credit risk) comprises the complete default of the positive carrying amounts of the financial instruments. From today's perspective, the default risk on the financial instruments whose values have not been adjusted is generally appraised as minor, as default probability is kept low as a result of tight risk management.

6.3.2 Liquidity risk

Operative liquidity management entails aggregating the companies' short-term and medium-term cash flows at Group level. Along with the maturities of financial assets and liabilities, these cash flows also comprise the expectations for the Group companies' operating cash flows.

The following cash flows from interest and redemption payments arise for the Group's liabilities as of December 31, 2017:

TEUR	Carrying amount 31.12.2017	Cash flow up to one year	Cash flow 1 to 5 years	Cash flow longer than 5 years
Non-derivative financial liabilities				
Financing liabilities	73,263	8,663	66,828	1,048
Trade payables (excluding prepayments received)	72,614	72,614	0	0
Other interest-bearing and non-interest-bearing liabilities	17,537	15,846	1,531	545
Cash outflows from derivative financial instruments				
– Currency derivatives	325	12,805	658	0
– Interest rate derivatives	0	0	0	0
Cash inflows from derivative financial instruments				
– Currency derivatives	325	13,147	641	0
– Interest rate derivatives	0	0	0	0

The overview includes the following contents:

- Undiscounted outgoing repayment and interest rate obligations deriving from financing liabilities
- Undiscounted outgoing payments deriving from trade payables
- Undiscounted outgoing payments for other interest-bearing and non-interest-bearing financial liabilities
- Undiscounted cash outflows and cash inflows (not offset for the respective year) for derivative financial instruments

The following assumptions are imputed for the undiscounted outgoing payments:
- If payment is possible on different dates, the earliest date is imputed as the due date.
- Derivative financial instruments include derivatives with both negative and positive fair values.
- The interest payments from financial instruments with variable interest rate are projected based on estimated interest rates. These estimates are based on interest rates prevailing on the date when the financial statements are prepared.

Future cash outflows are generally covered by the cash inflows from the operating business. Demand financing peaks in terms of timing and amount are sufficiently covered by the liquidity that the company holds available, as well as by the interplay of short-term and long-term credit lines.

6.3.3 Market price risk

Due to its international orientation, the Group is exposed to market price risks in the form of currency exchange rate risks and interest rate risks. Such risks can negatively affect the Group's financial position and performance. To assess and estimate risks, economic conditions are monitored constantly, and recourse is made to relevant market information.

The Group has established a centrally oriented risk management system for systematic risk recording and measurement. Continuous reporting is made to the Executive Directors in this context.

Currency risks

Due to its international orientation, the MAX Automation Group is exposed to currency fluctuation risks in its operating business as well as in relation to the aforementioned financial and cash flows. The Group's exchange rate risk is sales-driven, and consists mainly of the exchange rate between the US dollar and the euro. Transaction risk is of particular significance in this context, as revenues are generated in foreign currencies and the related costs are incurred in euros. To this extent, the formation risks can generate considerable reductions in the Group's results and liquidity.

Exchange rate fluctuations are partly hedged through deploying corresponding currency exchange rate hedging instruments.

Forward currency transactions and currency option transactions are entered into to hedge currency transactions. The company does not enter into pure trading transactions without corresponding underlying transactions.

Forward currency sales can generate market price risks in the form of potential obligations to sell currencies at a rate below the standard cash market rate on the settlement date. The market price risk in the case of options is limited to the option premium.

The terms and level of currency hedges correspond to the hedged underlying transactions. The Group holds the following hedging instruments as of the reporting date:

Financial instruments for currency hedging

	Nominal volume in TUSD		Fair value TEUR	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Forward currency transactions (sale)	1,500	0	16	0
Currency options (USD calls)	2,000	0	65	0

A forward currency transaction (embedded derivative) was arranged due to the payment agreements deriving from the acquisition of Shanghai Cisens Automation Co., Ltd. The derivative with a nominal volume of TCNY 87,600 hedges an amount of TUSD 13,035. The fair value amounts to TEUR 244 as of the reporting date.

Pursuant to IFRS 7, the company prepares sensitivity analyses relating to market price risks, which allow the effects on earnings and equity of hypothetical changes to relevant risk variables to be calculated.

The periodic effects are measured by relating the hypothetical changes in the risk variables to the financial instruments position as of the reporting date. This entails imputing that the position on the reporting date is representative for the full year.

The currency sensitivity analyses are based on the following assumptions:
- Non-derivative financial instruments denominated in a foreign currency are subject to currency risk, and are consequently included in the sensitivity analysis.
- Currency exchange-rate-related changes to the market values of currency derivatives that are neither included in a hedge pursuant to IAS 39 nor included in a natural hedge affect the currency result and are consequently included in the sensitivity analysis.

If the euro were to have appreciated by 10 % against the US dollar on the balance sheet date, consolidated equity would have been TEUR 358 lower due to direct changes (previous year: TEUR 387 higher). If the euro were to have depreciated by 10 % against the US dollar on the balance sheet date, consolidated equity would have been TEUR 438 higher due to direct changes (previous year: TEUR 473 lower).

If the euro were to have appreciated by 10 % against the US dollar on the balance sheet date, the consolidated net result would have been TEUR 406 lower (previous year: TEUR 9 lower). If the euro were to have depreciated by 10 % against the US dollar on the balance sheet date, the consolidated net result would have been TEUR 496 higher (previous year: TEUR 11 higher).

The risks deriving from the GBP, CNY and PLN have been subjected to a sensitivity analysis. These generate no significant effects, however.

Interest rate risks

Assets and liabilities that are sensitive to interest rates are held to a normal extent within the Group.

The operating business is financed on a matched term basis as a result of the syndicated loan. Variable interest refinancing possibilities are nevertheless utilized to a minor extent, however, in order to maintain flexibility on the market. Derivative financial instruments such as interest rate swaps and caps are deployed to limit the resultant risks.

An interest rate cap transaction exists where the variable interest rate to be paid is limited to 4.35 %. The term of the transaction is June 7, 2024.

TEUR	Nominal volume		Fair value	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Interest rate cap	244	240	0	0
Interest rate swap	0	470	0	–2

Pursuant to IFRS 7, interest rate risks are presented by way of sensitivity analyses. These show the effects of changes to market interest rates on interest income and interest expenses, other earnings components, as well as equity, where relevant. The interest rate sensitivity analyses are based on the following assumptions:

- Market interest rate changes to non-derivative fixed interest financial instruments only affect earnings if they are measured at fair value. Accordingly, all fixed interest financial instruments measured at amortized cost are subject to no interest rate risks in the meaning of IFRS 7.
- Market interest rate changes affect the result from non-derivative variable interest financial instruments whose interest payments are not designated as underlying transactions as part of cash flow hedges against interest rate changes, and are consequently taken into account in the sensitivity calculations.
- Market interest rate changes to interest rate derivatives that are not included in the hedge pursuant to IAS 39 affect the net interest result, and are consequently included in the sensitivity calculations.

If the market interest rate level had been 100 basis points higher in the year under review, the consolidated net result would have been TEUR 987 lower (previous year: TEUR 852 lower).

If the market interest rate level had been 100 basis points lower in the year under review, the consolidated net result would have been TEUR 100 higher (previous year: TEUR 184 higher).

If the market interest rate level had been 100 basis points higher in the year under review, consolidated equity would have been TEUR 987 lower (previous year: TEUR 852 lower).

If the market interest rate level had been 100 basis points lower in the year under review, consolidated equity would have been TEUR 100 higher (previous year: TEUR 184 higher).

Other price risks

As part of presenting market risks, IFRS 7 also requires information about how hypothetical changes to other price risk variables affect the prices of financial instruments. Risk variables particularly include stock market prices and indices in this context.

The company had no holdings of such financial instruments either in the year under review, or in the previous year.

6.4 Earnings per share

Undiluted (basic) earnings per share were calculated from the net profit for the year attributable to the parent company shareholders, divided by the weighted average number of shares in issue during the financial year.

As dilutive instruments have been issued, undiluted and diluted earnings per share are identical.

In August of the financial year elapsed, MAX Automation completed a cash capital increase. The issue price for the new registered shares amounted to EUR 7.00 per share. The bonus element included in the issue price (the difference between the issue price and the price on the previous day) were taken into consideration accordingly in calculating the weighted average number of shares in the financial year.

The following table includes the information relating to the earnings and the shares taken as the basis in calculating diluted and undiluted earnings per share:

TEUR	2017	2016
Net income attributable to the shareholders of MAX SE (in TEUR)	13,965	8,320
Weighted average number of shares	27,912	26,794
Undiluted (basic)/diluted earnings per share	0.50	0.30

in EUR	2017	2016	2015	2014	2013
Undiluted (basic)/diluted earnings per share (EUR)	0.50	0.30	0.38	0.37	0.38

6.5 Segment reporting

Segment reporting is included as an annex to these notes.

Segment classification into the areas of Industrial Automation and Environmental Technology corresponds to the current internal reporting status. Allocation to the respective segments is based on each case on the products and services that are offered.

The Industrial Automation segment of the MAX Group comprises the following companies: the NSM Magnettechnik Group, ELWEMA Automotive GmbH, the IWM Automation Group, the bdtronic Group, MA micro automation GmbH, Rohwedder Macro Assembly GmbH, iNDAT Robotics GmbH, Mess- und Regeltechnik Jücker GmbH and AIM Micro Systems GmbH.

In the Environmental Technology segment, the MAX Group is active with the companies of the Vecoplan Group.

Section 2.10 the Group management report provides further information about the individual companies' operating activities.

Key segment data are published pursuant to IFRS 8. These are also reported regularly to the Executive Directors and the Administrative Board, and are of central importance for the management of the company. A particular focus is placed in this context on revenue and EBIT as key performance indicators. Working capital is also regularly subjected to more precise analysis. Internal reporting is in line with external financial accounting applying IFRS.

This segment report presents the main income and expense items, as well as relevant earnings metrics. Segment assets are also analyzed, with the location of the company's headquarters being the determinant factor.

Average headcount, investment, new order intake and order book positions also form part of the segment report as further steering metrics.

Intragroup transactions are generally conducted on terms that are standard among third parties.

Revenue is segmented by sales markets. By way of divergence from the provisions of IFRS 8.33 (a), the company does not show revenues in the North American market separately by countries, as this market is monitored as a unity in terms of its economic trends.

Of the sales revenues, TEUR 295,079 (previous year: TEUR 257,286) were attributable to projects, while TEUR 81,201 (previous year: TEUR 79,852) were attributable to business with service and spare parts.

No customer generated more than 10 % of consolidated revenue in 2017.

6.6 Events after the reporting period

The disposal of NSM Packtec GmbH, Ahaus, was notarized on January 3, 2017. The closing of the agreement will prospectively occur in March 2018. The disposal price lies in the single-digit range in millions of euros. A book gain from the company's deconsolidation is expected for the 2018 financial year.

In early January 2018, the takeover of Italian engineering company R.C.M. Reatina Costruzioni Mecchaniche S.r.l. (RCM) based in Rieti, in the Lazio region, from its owner families was completed by bdtronic GmbH. The investment volume lies in the lower single-digit range in millions of euros. Its notarization already occurred in December 2017, as reported.

RCM is a specialized provider of solutions in mechanical manufacturing, assembly and engineering. The company possesses special expertise in the production of waterproofing systems for electric and hybrid engines, and has already been working for several years together with bdtronic as a supplier. Besides bdtronic, its customers include companies from the medical technology, hygiene products and energy supply industries. RCM was founded in 1979 and currently has 46 employees. The company is largely debt-free.

MAX Group company bdtronic will rename RCM as bdtronic Italia S.r.l. It plans to establish the location in Rieti as soon as possible into a competence center for waterproofing systems, and also aims to simplify the supply chain for the long term. The site is also to be utilized for further technologies.

On February 2018, MAX Automation announced that Andreas Krause (49) will be appointed Executive Director of the company with effect as of March 1, 2018. In the CFO function he succeeds Fabian Spilker (44), who will stand down from the CFO role as of March 31, 2018, and will step down as Executive Director as of the end of the Shareholders' General Meeting on May 18, 2018. Mr. Spilker will assist his successor in the handing over of responsibilities. Andreas Krause has more than 20 years' experience in engineering, energy technology and automation technology. Since 1998, he has held various finance management roles within the ABB Group, most recently as CFO of ABB South Africa.

On February 9, 2018, MAX Automation announced that, with the related entry in the company's commercial register, the company had transformed its legal form into that of a European public company (Societas Europaea – SE). The high-tech engineering specialist thereby implemented the corresponding resolution of the Ordinary Shareholders' General Meeting on June 30, 2017. This change of legal form reflects the growing significance of the Group's worldwide business activities in Europe as well as China and the USA. Instead of the previous dualistic management structure for the company comprising a Management Board and the Supervisory Board, the articles of incorporation of MAX Automation SE consists of the internationally widely disseminated monistic management system with an Administrative Board. Executive Directors are responsible for the operative business (see section 2.3, Particular events during the financial year).

MAX Automation also announced in August 2017 that it had signed an investment agreement to acquire a majority interest in the activities of Chinese engineering company Shanghai Cisens Automation Co., Ltd. The transaction was completed in March 2018. MAX Automation SE now holds a 51 % interest in MAX Automation (Asia Pacific) Co. Ltd., Hong Kong, in which it held a 25 % interest until the December 31, 2017 reporting date. The transaction volume lies in the lower double-digit range in millions of euros.

6.7 Other financial obligations

Other financial obligations amount to a total of TEUR 33,651 as of the reporting date (previous year: TEUR 24,045).

This relates to TEUR 10,829 of obligations arising from rental and lease contracts (previous year: TEUR 9,495), and from leases in an amount of TEUR 9,672 (previous year: TEUR 9,304).

A total of TEUR 12,653 of obligations from other contracts relate to obligations for future investments in financial assets, which were realized mainly in the first quarter 2018, and were largely serviced in US dollars.

Operating leases

Operating leases in the MAX Group mainly comprise real estate, cars, IT systems, machinery, and office fittings and furniture. The lease durations amount to between 2 and 28 years. No extension and/or purchase options exist.

A tenant loan is also granted along with the lease payments. Interest is applied to the tenant loan so that as the tenant loan increases, the lease installments fall. The tenant loan is secured through land charges on the corresponding real estate, and through guarantees provided by external parties.

The financial obligations arising from these agreements amount to:

TEUR	up to 1 year	1 to 5 years	longer than 5 years	Total (previous year)
Obligations from rental and lease agreements	2,699 (2,036)	5,081 (4,528)	3,049 (2,931)	10,829 (9,495)
Lease obligations	2,511 (2,509)	5,016 (4,047)	2,145 (2,748)	9,672 (9,304)
Obligations from other agreements	12,469 (4,752)	870 (431)	295 (63)	13,634 (5,246)

6.8 Related party transactions

Individuals and companies (including affiliated companies) which can be influenced by the company, or which can influence the company, are regarded as related parties in the meaning of IAS 24. The MAX Group companies render and purchase various services for, or from, related companies as part of their operating activities.

Such supply and service relationships are conducted on standard market terms. Services are rendered on the basis of existing contracts.

Related companies

Revenues of TEUR 227 were generated with, and services of TEUR 145 were purchased from, related (associated) companies in the financial year under review.

A non-pecuniary consulting agreement with Günther Holding SE was concluded with effect as of September 1, 2014, to which an addendum was added on January 16, 2017.

In connection with the acquisition of ESSERT GmbH, 3.5 % interest was sold on to Günther Holding SE. The purchase price was standard for the market and amounted to TEUR 288. Pro rata incidental acquisition costs of TEUR 5 were charged on to Günther Holding SE.

Related individuals

Business transactions with related natural persons amount to a total of TEUR 10 (previous year: TEUR 10).

These relate to travel expenses incurred by Supervisory Board members. Section 6.10 explains relationships with the Management and Supervisory boards.

6.9 Auditor

Auditors' fees of TEUR 345 were incurred in the year under review (previous year: TEUR 360).

TEUR	2017	2016
1. Auditing services for financial statements	**297**	**312**
a) Services for the current year	289	288
b) Services for the previous year	8	24
2. Other certification services	0	0
3. Tax advisory services	30	24
4. Other services	18	24
Total	**345**	**360**

No other certification services were rendered in the financial year under review, and none were rendered in the previous year.

Services for the auditing of the financial statements include TEUR 18 for services connected with the enforcement proceeding.

Services in connection with the auditor's review of the half-year financial report pursuant to Section 37w (5) of the German Securities Trading Act (WpHG) are recognized under audit services.

Other services relate mainly to audit-related advice as well as services connected with the review of quarterly reports not requiring certification.

6.10 The corporate bodies of MAX Automation SE

Until the becoming effective of the company's transformation into the SE with the entry in the company's commercial register on February 2018, the Management Board managed MAX Automation AG. The Supervisory Board consulted with, and supervised, the Management Board in its management of the company. Since the corporate transformation, MAX Automation SE has a monistic management structure distinguished by the fact that the management of the SE is the responsibility of a single management body, the Administrative Board. The Executive Directors of MAX Automation SE manage the company's business based on joint responsibility with the aim of sustainable value creation. They implement the guidelines and instructions that the Administrative Board prepares.

Executive Directors

Daniel Fink, Düsseldorf
CEO

Not a member of other controlling bodies

Fabian Spilker, Düsseldorf
CFO

Member of the following controlling bodies:
- Deputy Supervisory Board Chairman of Vecoplan AG, Bad Marienberg

Executive Directors' total compensation

The following amounts were granted to the Executive Directors of MAX Automation SE in the 2017 financial year:

TEUR	Daniel Fink Executive Director (CFO)			
	2016	2017	2017 (min)	2017 (max)
Fixed compensation	240	320	320	320
Ancillary benefits*	24	33	33	33
Total	**264**	**353**	**353**	**353**
One-year variable compensation	0	31	0	315
Multi-year variable compensation	./.	./.	0	233
– of which 2016 to 2019 program[1)]	./.	./.	./.	./.
– of which 2017 to 2020 program[2)]	./.	./.	0	233
Total	**264**	**384**	**353**	**901**
Pension expense	0	0	0	0
Total compensation	**264**	**384**	**353**	**901**

*Ancillary benefits notably included private company car use, insurance contributions and residential rental subsidies.
1) Final calculation, granting and payout in 2021
2) Final calculation, granting and payout in 2021

TEUR	Fabian Spilker Executive Director (CEO)			
	2016	2017	2017 (min)	2017 (max)
Fixed compensation	220	220	220	220
Ancillary benefits*	21	22	22	22
Total	**241**	**242**	**242**	**242**
One-year variable compensation[3)]	0	20	0	210
Multi-year variable compensation[3)]	./.	./.	0	150
– of which 2016 to 2019 program	./.	./.	./.	./.
– of which 2017 to 2020 program	./.	./.	0	150
Total	**241**	**262**	**242**	**602**
Pension expense	0	0	0	0
Total compensation	**241**	**262**	**242**	**602**

* Ancillary benefits notably included private company car use and insurance contributions.
3) Offsetting with other compensation components on leaving the company in 2018

The following amounts were granted to the Executive Directors of MAX Automation SE in the 2017 financial year:

TEUR	Daniel Fink Executive Director (CEO)		Fabian Spilker Executive Director (CFO)	
	2016	2017	2016	2017
Fixed compensation	240	320	220	220
Ancillary benefits	24	33	21	22
Total	**264**	**353**	**241**	**242**
One-year variable compensation	0	0	159	0
Multi-year variable compensation	0	0	0	0
Total	**264**	**353**	**400**	**242**
Pension expense	0	0	0	0
Total compensation	**264**	**353**	**400**	**242**

Other compensation for the Executive Directors of MAX Automation SE includes incidental benefits in the form of benefits in kind, primarily company car use as well as the provision of a company apartment. Benefits in kind are taxable as a compensation component for the individual Executive Director. Compensation arising from D&O insurance for the Executive Directors of MAX Automation SE was not measurable as this related to group insurance comprising a number of staff members.

Section 10.2 (compensation report) provides further related information.

Members of the Administrative Board

Gerhard Lerch, Hannover
Dipl.-Betriebswirt, Consultant
Administrative Board Chairman

Member of the following controlling bodies:
· Supervisory Board Chairman of Vecoplan AG, Bad Marienberg

Dr. Jens Kruse, Hamburg
General Manager of M.M. Warburg & CO (AG & Co.), Hamburg
Deputy Administrative Board Chairman

Member of the following controlling bodies:
· Supervisory Board member of Biesterfeld AG, Hamburg
· Member of the Supervisory Board of PNE Wind AG, Cuxhaven (since June 2017)

Oliver Jaster, Hamburg
Member of the Administrative Board of Günther SE, Hamburg
Administrative Board member

Member of the following controlling bodies:
· Member of the Supervisory Board of ZEAL Network SE, London
· Advisory Board Chairman of Langenscheidt GmbH & Co. KG, Munich
· Advisory Board Chairman of Langenscheidt Digital GmbH & Co. KG, Munich (since April 2017)
· Advisory Board Chairman of Langenscheidt Management GmbH, Munich
· Advisory Board Chairman of all4cloud GmbH & Co. KG, Viernheim (since February 2017)
· Advisory Board Chairman of all4cloud Management GmbH, Hamburg (since February 2017)
· Advisory Board Chairman of Günther Direct Services, Bamberg
· Advisory Board Chairman of G Connect GmbH, Munich (since November 2017)
· Administrative Board Chairman of Günther SE, Bamberg

Daniel Fink, Düsseldorf
Executive Director of MAX Automation SE
Member of the Administrative Board

Fabian Spilker, Düsseldorf
Executive Director of MAX Automation SE
Member of the Administrative Board

Total compensation of the Administrative Board

Administrative Board compensation for 2017 amounted to TEUR 244 (TEUR 244).

TEUR	Basic compensation		Consultancy services		Total	
	2016	2017	2016	2017	2016	2017
Gerhard Lerch	144	144	0	0	144	144
Dr. Jens Kruse	60	60	0	0	60	60
Oliver Jaster	40	40	0	0	40	40

The list above includes fixed compensation for the Supervisory Board mandates of Vecoplan AG for Mr. Lerch in an amount of TEUR 24.

Section 10.1 (compensation report) of the Group management report provides further related information.

7. Reportable interests pursuant to Section 160 (1) No. 8 of the German Stock Corporation Act (AktG)

On November 17, 2015, Mr. Oliver Jaster, Germany, informed us pursuant to Section 21 (1) WpHG that his percentage of voting rights in our company exceeded the threshold of 30 % on November 17, 2015, and now amounts to 30.0001 %. This corresponds to 8,038,356 voting rights. Of these voting rights, 30.0001 % (corresponding to 8,038,356 voting rights) are to be attributed to Mr. Jaster 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 pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

On July 21, 2016, Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, Germany, informed us pursuant to Section 41 (4f) WpHG that its interest in the voting rights of MAX Automation AG, Düsseldorf, Germany, amounted to 8.94 % on July 2, 2016. This technical notification of the shareholding occurred due to a further amendment to the German Securities Trading Act (WpHG) as a consequence of the Amending Act to the Financial Transparency Directive to harmonize the transparency of shareholdings in Europe.

On November 3, 2016, Stüber & Co. KG, Balzers, Liechtenstein, informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its percentage of the voting rights in MAX Automation AG, Düsseldorf, Germany, had exceeded the threshold of 5 % on October 21, 2016, and amounts to 6.08 % as per this date (corresponds to 1,630,000 voting rights).

On January 4, 2017, Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany, informed us that its percentage of voting rights pursuant to Section 21 (1) WpHG had exceeded the threshold of 5 % on December 30, 2016, and amounts to 5.004 % as per this date (corresponds to 1,340,692 voting rights). Of these voting rights, 5.004 % (corresponds to 1,340,692 voting rights) are to be attributed to this company pursuant to Section 22 (1) Clause 1 No. 6 WpHG.

On September 11, 2017, we communicated pursuant to Section 26a (1) WpHG that the total number voting rights had changed to 29,459,415 on September 7, 2017 due to the issuing of subscription shares.

On September 18, 2017, Universal-Investment-Gesellschaft mbH, Frankfurt am Main, Germany, notified us that its interest in the voting rights had changed from 5.004 % to 4.96 % on September 7, 2017 due to the change in the total number of voting rights. Of these voting rights, 4.96 % (corresponds to 1,460,344 voting rights) are to be attributed to this company pursuant to Section 22 (1) Clause 1 No. 6 WpHG.

On September 20, 2017, Axxion S.A., Grevenmacher, Luxembourg, informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its percentage of the voting rights in MAX Automation AG, Düsseldorf, Germany, had exceeded the threshold of 5 % on September 18, 2017, and amounts to 5.07 % as per this date (corresponds to 1,492,488 voting rights). Of these voting rights, 5.07 % (corresponds to 1,492,488 voting rights) are to be attributed to this company pursuant to Section 22 (1) Clause 1 No. 6 WpHG.

8. Statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code

As a company listed on the stock market in Germany, MAX Automation AG, Düsseldorf, issued the statement required by Section 161 of the German Stock Corporation Act (AktG) on March 28, 2017, making it permanently available to shareholders by publishing it on the company's website at www.maxautomation.com.

9. Exemption from disclosure for subsidiaries

The following subsidiaries utilize the provisions pursuant to Section 264 (3) of the German Commercial Code (HGB) relating to the exemption from publishing separate annual financial statements and preparation of management reports and notes to the financial statements for the 2017 financial year:

- MAX Management GmbH, Düsseldorf
- ELWEMA Automotive GmbH, Ellwangen
- MA micro automation GmbH, St. Leon-Rot
- Rohwedder Macro Assembly 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

In the case of these companies, MAX Automation SE publishes by way of exemption its consolidated annual financial statements and Group management report in the German Federal Gazette (Bundesanzeiger).

Düsseldorf, February 28, 2018

The Executive Directors

Daniel Fink

Fabian Spilker

MAX Automation SE, Düsseldorf, List of shareholdings as of December 31, 2017

a) Companies included in the consolidated financial statements

Name and headquarters of company		Interest in capital (%)
Subsidiaries of MAX Automation SE:		
MAX Management GmbH	Düsseldorf	100
bdtronic GmbH	Weikersheim	100
IWM Automation GmbH	Porta Westfalica	100
Mess- und Regeltechnik Jücker GmbH	Dillingen	100
NSM Magnettechnik GmbH	Olfen-Vinnum	100
MAX Automation North America Inc.	Wilmington, Delaware, USA	100
Vecoplan AG	Bad Marienberg	100
Second-tier subsidiaries and subsidiaries of MAX Management GmbH:		
AIM Micro Systems GmbH	Triptis	100
ELWEMA Automotive GmbH	Ellwangen	100
iNDAT Robotics GmbH	Ginsheim-Gustavsburg	100
Rohwedder Macro Assembly GmbH	Bermatingen	100
MA micro automation GmbH	St. Leon-Rot	100
MA micro automation PTE.Ltd. (subsidiary of MA micro automation GmbH)	Singapore	100
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 Suzhou Co. Ltd.	Suzhou, China	100
Subsidiaries of NSM Magnettechnik GmbH:		
IWM Automation Polska Sp. z o.o.	Chorzow, Poland	100
Subsidiaries of NSM Magnettechnik GmbH:		
NSM Packtec GmbH	Ahaus	100
Second-tier subsidiaries and 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	61
(subsidiary of Vecoplan LLC)		
Vecoplan Limited	Birmingham, UK	100
Vecoplan Austria GmbH	Vienna, Austria	100
Vecoplan Iberica S.L.	Bilbao, Spain	100

b) Companies included in the consolidated financial statements applying the equity method

Name and headquarters of company		Interest in capital (%)
Participating interests of MAX Automation AG:		
ESSERT GmbH	Ubstadt-Weiher	44.5
MAX Automation (Asia Pacific) Co. Ltd.	Hong Kong	25
Participating interests of Vecoplan AG:		
Vecoplan FuelTrack GmbH i.L.	Bad Marienberg	49

Audit certificate of the independent auditor of the financial statements

To MAX Automation SE, Düsseldorf

Note concerning the audit of the consolidated financial statements and combined management report

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, 2017, 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, 2017 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 (hereinafter referred to as the "combined management report") of MAX Automation SE, Düsseldorf, for the financial year from January 1 to December 31, 2017. In accordance with German statutory regulations, we have not audited the content of the Group non-financial statement included in the section 6 of the combined management report. In accordance with German statutory regulations, we have not audited the content of the corporate governance 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 statements correspond in all significant matters to IFRS, as applicable in the EU, and the German statutory regulations to be additionally 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 net assets and financial position as of December 31, 2017, as well as its results of operations for the financial year from January 1 to December 31, 2017 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 to 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 section 6 of 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 important 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 statements 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) Goodwill impairment test
2) Application of the percentage of completion method for revenue recognition to long-term contract manufacturing

Relating to 1) Goodwill impairment test

a) The risk for the financial statements

As of the balance sheet date, the consolidated balance sheet reports nine goodwill items with a total carrying amount of EUR 53.1 million. This corresponds to approximately 16 % of consolidated total assets.

The company's disclosures relating to goodwill are contained in sections 2.1 and 4.1 (2) of the notes to the consolidated financial statements.

Pursuant to IAS 36.90, cash-generating units to which goodwill has been allocated are to be tested annually for impairment.

This test applies complex valuation models based on expectations about the future trend of the respective operating business as well as the resultant cash flows. For this reason, the result of the impairment test is significantly subject to the influence of estimated figures. Given this, we were of the view that such matters were of particular importance for our audit.

b) Audit approach and conclusions
Our audit included a plausibility check on the three-year plans approved by the legal representatives and the Administrative Board, which form the basis for the impairment tests of all significant goodwill items. This also involved examining them for any potential bias in the exercising of discretion.

Along with checking the plausibility of the underlying plans, we appraised the accuracy of the planning through comparing the previous year's planning with the actual outcomes.

We focused on significant goodwill items where the recoverable amount of the cash-generating unit was close to its carrying amount.

We also examined the calculation procedures that were applied as to their methodically correct application, the derivation of discount rates, as well as arithmetic correctness by way of random sampling. It should be noted in this context that small changes in the parameters, especially in the discount rate, can exert considerable effects on the recognized value of the participating interest.

We validated the client's calculation results based on supplementary analyses, including sensitivity analyses.

The valuation parameters and assumptions applied by the legal representatives concur overall with our expectations, and from our perspective are generally appropriate for an objective measurement of goodwill, taking the available information into consideration.

Relating to 2) Application of the percentage of completion method for revenue recognition as part of 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 EUR 21 million as of the reporting date.

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 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 method is considerably subject to the influence of estimated figures. For potentially loss-making projects, anticipated 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 the first step, we 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, 2016 based on random sampling in the new 2017 financial year. This approach focused especially on the realization of the margins estimated on December 31, 2016 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.

GROUP AUDIT CERTIFICATE

and responsibility statement

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, corresponding 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 compliance 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 business 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 management 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, complies 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 compliance 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 together, 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 consolidated 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 implementation 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 investigate 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 planning 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 reasonably 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 June 30, 2017. The Supervisory Board issued its mandate to us on July 21, 2017. We have been the auditor of the consolidated financial statements of MAX Automation SE, Düsseldorf, without interruption since the 2004 financial year.

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 audit.

Hannover, March 15, 2018
Ebner Stolz GmbH & Co. KG

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Hans-Peter Möller
Certified Public Auditor

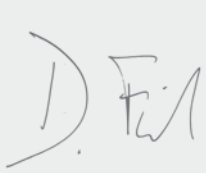
Steffen Fleitmann
Certified Public Auditor

In the case of publications or the circulation of the consolidated financial statements and/or the combined Group management report in a form differing from the version we confirm (including its translation into other languages), our renewed opinion is first required, to the extent that our audit certificate is cited or reference is made to our audit; please refer to Section 328 of the German Commercial Code (HGB).

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 management 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, 2018

MAX Automation SE
The Executive Directors



Daniel Fink

Fabian Spilker

Vecoplan Group

The Vecoplan Group, which is based in Bad Marienberg (Rhineland-Palatinate), is a globally leading provider of systems and components for the processing of wood and waste in the manufacturing and recycling industries. The company is a specialist in the shredding and processing of primary and secondary raw materials. As a system provider, Vecoplan develops, designs and produces complex machines and plants.

Vecoplan operates in three business areas:
- forestry (timber, biomass and pellets)
- waste (household and commercial waste, substitute fuels and the cement industry)
- and recycling (paper, plastics and special applications)

Vecoplan operates subsidiaries in Germany, the USA, the UK, Spain and Austria, as well as numerous sales and service locations worldwide. In 2015, Vecoplan took over a minority interest in subsidiary Vecoplan LLC and thereby increased its interest to 100 percent. This has enabled direct operational management of the company as part of integrating it into the Group.

The company operates its own development department in Bad Marienberg (Rhineland-Palatinate), and opened the world's largest and most state-of-the-art technology center for the environmental and recycling sector at its headquarters in 2014. Vecoplan also operates research and training facilities (pilot plants) in North Carolina (USA).

Managing Director	Werner Berens
Interest held	100 %
Employees (year average)	412
Year of foundation	1969
Member of MAX Group since	1995
www.vecoplan.de	

NSM Magnettechnik-Group

NSM Magnettechnik GmbH, which is based in Olfen (North Rhine-Westphalia), is a technologically leading system provider of highly automated high-speed handling plants. The Group operates in five business areas: press automation, packaging automation, and conveying and press systems, as well as forming and sealing machines. Through combining individual business areas' applications, the company develops systems solutions for its customers on a one-stop-shop basis offering considerable added value.

In the press automation area, the company produces systems for the transporting, stacking and separating of steel and aluminum sheet bars, primarily in automotive construction (pressing plant). In the packaging automation area, the company focuses on high-speed handling systems for cans, lids and caps in the manufacturing and filling industry. The conveying systems area designs and builds solutions for the transportation of parts and waste removal from working processes, as well as to filter separate materials. The press automation systems area builds high-frequency automated precision stamping machines for the non-cutting forming of mass stamped parts.

NSM Magnettechnik specializes in supplying and commissioning turnkey systems. Extensive service offerings round out this spectrum. The Group supplies customers worldwide in various sectors including the automotive industry, press manufacturers, food and drink manufacturers, chemical companies, machine tool manufacturers, electrical and electronic goods producers, as well as the consumer goods industry.

Managing Director	Jens Ohnholz
Interest held	100 %
Employees (year average)	208
Year of foundation	1959
Member of MAX Group since	1990
www.nsm-magnettechnik.de	

ELWEMA Automotive GmbH

ELWEMA Automotive GmbH, a company based in Ellwangen/Jagst (Baden-Württemberg), develops and produces innovative and highly flexible solutions in cleaning, testing and assembly technology, especially for engines and steering systems. ELWEMA Automotive commands a strong market position and serves renowned vehicle manufacturers worldwide.

ELWEMA's cleaning systems are distinguished by highly efficient and resource-conserving process technologies that fit ideally into automated production lines. Inspection and leak testing systems offer high efficiency with sustainable effects on quality standards and product performance. Key applications include the testing of cylinder heads, cylinder crankcases and steering systems. The product offering especially comprises complex, robot-supported production lines for fully automatic component assembly.

ELWEMA Automotive has developed a unique production technology with its so-called RPM Suite – ("Reinigen, Prüfen und Montieren" – "cleaning, testing and assembly"). Interlinking three different technology concepts enables customers to achieve a measurable efficiency advantage within the value chain of the component production of engines and steering systems.

Managing Director	Antonio Alvarez Vega
Interest held	100 %
Employees (year average)	180
Year of foundation	2006
Member of MAX Group since	2013
www.elwema.de	

IWM Automation Group

Headquartered in Porta Westfalica (North Rhine-Westphalia), IWM Automation GmbH is an established specialist engineering company. The company is well known in the industrial automation sector for custom-built and innovative production systems provided on a one-stop-shop basis. This applies to both standard systems and high-tech system solutions.

IWM Automation commands extensive expertise in engineering, as well as in assembly, welding, forming, dosing/metering and testing technology. This allows the company to develop comprehensive solution approaches to complex tasks.

The automotive industry represents the company's most important sales sector. IWM Automation is a partner to renowned international vehicle manufacturers and their suppliers, enjoying an excellent reputation in the sector. The Group's automation solutions ensure fast, precise and high-quality production.

Managing Director	Peter Rothgang
Interest held	100 %
Employees (year average)	147
Year of foundation	1978
Member of MAX Group since	1998
www.iwm-automation.de	

bdtronic Group

The company bdtronic GmbH, which is based in Weikersheim (Baden-Württemberg), ranks as one of the world's leading providers of dosing and metering technology systems. It develops technologically complex solutions to process reaction molding resins, and acts as a complete system provider for the automation of assembly and production processes, particularly for electronic components. In this context, bdtronic possesses not only excellent technology expertise but also comprehensive know-how in resins and their process characteristics.

bdtronic has constantly expanded its technological competencies and product portfolio. For example, the company now also produces impregnating plants for electro-motors, stators and rotors. It also operates in plasma treatment to improve the adhesive properties of material surfaces. Heat staking as an alternative joining technique represents a further service. This enables thermoplastic and any other materials to be formed under the impact of localized heating.

bdtronic particularly serves international customers from the automotive industry, electronics and electrical goods producers, sensor technology companies, and medical technology companies. In order to ensure international marketing and distribution, the company operates sales companies in Belgium, the UK, Italy, China and the USA.

Managing Director	**Patrick Vandenrhijn**
Interest held	100 %
Employees (year average)	261
Year of foundation	2001
Member of MAX Group since	2004
www.bdtronic.de	

MA micro automation GmbH

MA micro automation GmbH, based in St. Leon-Rot (Baden-Württemberg), is a microassembly automation solutions specialist. The company focuses on core technological competencies in actuators, sensors and optical systems, meeting the highest technological standards in terms of assembly speed and precision. The company serves renowned customers from the automotive and medical technology sectors and other industries.

MA micro automation has three different market profiles to reflect different target groups: ma automotive develops and produces for the automotive supply sector customer-specific systems to automate manufacturing of driver assistance systems, precision plug connectors and sensor technology. ma meditec supplies the medical technology industry with assembly systems for medical devices (e.g. contact lenses, stents, inhalers, insulin pens and autoinjectors), and also offers services to comply with quality guidelines and validate medical and pharmaceutical production (so-called GMP documentation). ma optronic develops, programs and produces inspection systems for industrial image processing, e.g. for camera and optical systems, as well as for automatic inspection systems and process monitoring.

Managing Director	**Joachim Hardt**
Interest held	100 %
Employees (year average)	122
Year of foundation	2010
Member of MAX Group since	2013
www.micro-automation.de	

iNDAT Robotics GmbH

With its headquarters in Ginsheim-Gustavsburg (near Mainz) and a service site in Wolfsburg, iNDAT Robotics GmbH specializes in robotics and manufacturing automation. These include complex software applications as well as holistic systems that integrate robotics applications.

Founded in 1994, iNDAT Robotics develops and builds proprietary products, such as standardized robotic cells that offer high manufacturing flexibility for fully automated deburring of metal parts and stamping and bonding of varnished plastic parts. On the other hand, iNDAT Robotics is a recognized expert on complete assembly units for use in production lines and on fully automated systems, in automotive presses, for example.

The services that iNDAT offers range from project planning and 3D simulation to engineering, software development and mechanical engineering. The company has the necessary process knowledge and takes a holistic view of mechanics, electrics, software and control.

iNDAT Robotics develops solutions particularly for well-known automotive manufacturers and automotive suppliers. Its production lines are designed, engineered and built to meet customer requirements.

Managing Director	Christoph Laeis
Interest held	100 %
Employees (year average)	110
Year of foundation	1994
Member of MAX Group since	2015
www.indat.net	

Rohwedder Macro Assembly GmbH

Rohwedder Macro Assembly GmbH, based in Bermatingen (Baden-Württemberg), is a leading supplier of system solutions, especially in automation. A key area of activity in this context is the development and production of partially and fully automatic assembly lines for gearboxes, clutches and steering systems. Rohwedder plants are deployed mainly in the automotive industry.

Rohwedder's fully automated solutions concern complex assembly lines to manufacture highly varied products while ensuring maximum quality. The company's range of solutions includes robot systems, rotary indexing machines, assembly workcells and assembly lines for application areas such as joining, screwing, laser welding, dosing or metering, testing or marking. Drawing-based assembly systems and subassemblies are implemented in precise accordance with customer wishes and instructions. Here, Rohwedder assumes all important production steps such as costing, manufacturing and procurement, installation and commissioning, project management, process and cycle time optimization, and developing alternative solutions.

Managing Director	**Peter Rothgang**
Interest held	100 %
Employees (year average)	111
Year of foundation	2010
Member of MAX Group since	2013
www.rohwedder.de	

Mess- und Regeltechnik Jücker GmbH

Mess- und Regeltechnik Jücker GmbH, headquartered in Dillingen (Saarland), plans, develops, supplies and manages measuring and control technology systems, as well as drive and automation technology systems. Jücker is a specialist provider of software and control technology, and has earned an excellent reputation as a systems integrator and controls supplier for complex automation processes.

By optimizing the controlling of production processes, the company has oriented its range of services to strengthen manufacturing companies' competitiveness. Its precise controlling solutions enable flexible manufacturing that meets high product quality standards. When selecting installed control elements, Jücker acts independently of manufacturers, thereby offering customers individually tailored and economic solutions.

Mess- und Regeltechnik Jücker serves customers from the automotive industry, the chemicals and steel industries, as well as companies from the power generation, steel and iron, cement and transportation industries.

Managing Director	**Jens Ohnholz**
Interest held	100 %
Employees (year average)	88
Year of foundation	1986
Member of MAX Group since	1998
www.juecker-germany.de	

AIM Micro Systems GmbH

AIM Micro Systems GmbH, which is based in Triptis (Thuringia), develops and produces technologies for the manufacturing of opto-electronic modules and micro-optical components for the medical technology industries, as well as for the sensor sectors. The company covers the entire production process in this context – from development through to validation and series production for customer-specific, miniaturized and complex modules and components.

In optical systems technology, AIM Micro Systems covers the areas of conventional optics (up to 30 millimeter), micro-optics, MEMS (microelectromechanical systems – systems such as sensors and actuators in the micrometer range), product development, prototype construction and series manufacturing. Production occurs under stringent cleanroom conditions (Class 5). The packaging solutions product area comprises the processing of semiconductor elements as well as optical components for sensors and subassemblies.

Managing Director	Dr. Andreas Fischer
Interest held	100 %
Employees (year average)	13
Year of foundation	2012
Member of MAX Group since	2013
www.aim-micro-systems.de	

ESSERT GmbH

ESSERT GmbH, based in Ubstadt-Weiher near Karlsruhe (Baden Württemberg), is an expert in industrial automation, especially the digitalization of automation processes and the development of related technology and software. ESSERT commands many years of experience in automating machines, plants, production lines and processes. This includes specialized expertise in networked production ("Industry 4.0") and related IoT technologies ("Internet of Things"), as well as the deployment of industrial and collaborating robotics.

As a full-range supplier, ESSERT is able to develop comprehensive solutions for its customers, including project planning, hardware planning, cabinet construction, programming, commissioning and service. The company operates in three business areas: Augmented Automation to create augmented reality solutions for smart services in industry, Control Systems to develop reliable control technology and advanced process control, and Intelligent Robotics for intelligent solutions for human-robot collaboration.

An important USP of ESSERT is the development of a software platform for industrial augmented reality applications relating to digital integration and networking in manufacturing and production, as well as smart services, including in the maintenance and commissioning of machinery and plant, as well as in employee training. ESSERT has developed an industrial app store as an important building block in its product range, and is the only supplier on the market to work exclusively with standardized solutions.

ESSERT serves renowned mechanical engineering firms, globally operating production companies as well as manufacturers of remote maintenance products. The company's solutions are deployed in numerous sectors including plant engineering, chemicals, food manufacturing, mechanical engineering, medical technology, packaging, wastewater technology and water supplies.

Managing Director	**Christopher Essert**
Interest held	48 %
Employees (year average)	40
Year of foundation	2009
Member of MAX Group since	2017
www.essert.com	

MAX Automation North America Inc.

Headquartered in Atlanta, Georgia (USA), MAX Automation North America Inc., is a subsidiary of MAX Automation AG. It serves as an operational platform (business hub) for several Group companies in the Industrial Automation division. The main areas of activity of MAX Automation North America are service, commissioning, assembly and distribution.

MAX Automation North America will enable the Group companies to bundle their capacities in the best interests of customers and thus create lasting synergies within the MAX Automation Group. In addition, besides supporting the existing customers of the Group companies, the business hub will seek to acquire new customers on the North American continent.

Due to its central location in the capital of the US state of Georgia, one of the most important traffic points in the USA, the companies of the MAX Group will be able to serve customers in the Midwest in a flexible and timely manner and react directly to their specific requirements. This applies in particular to customers from the automotive and healthcare sectors.

Managing Director	Edgar Bechtle
Interest held	100 %
Employees (year average)	-
Year of foundation	2017
Member of MAX Group since	2017
www.maxautomation.com	

2018 financial calendar

Quarterly financial report for Q1: May 15, 2018
Half-year financial report 2018: August 14, 2018
Quarterly financial report for Q3: November 14, 2018

Imprint

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GLOSSARY

A

AG
Aktiengesellschaft (public stock corporation under German law)
AktG
Aktiengesetz (German Stock Corporation Act)
Augmented Automation
Augmented Automation refers to the audiovisually-supported remote plant maintenance of plant and interactive employee training.

B

BaFin
Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
Beta factor
A beta factor reflects the relationship between the performance of a share price and the performance of an index, and shows the sensitivity of the share price to a change in the index level. A beta factor of greater than one means that the share fluctuates to a greater extent than the overall market.
Book-to-bill ratio
The book-to-bill ratio is the ratio between new order intake and sales during a certain period.

C

CAPM
Capital Asset Pricing Model. Theoretical capital market model according to which the expected return from a security is a linear function of the market portfolio's risk premium.
Corporate governance
Description of corporate management and corporate controlling oriented to responsible and long-term value creation.
Cost-to-cost method
The cost-to-cost method is a method to determine the degree of completion of a construction contract.
Covenants
Key financial figures to be complied with for a syndicated financing arrangement.

D

DAX
The DAX (Deutscher Aktienindex) is an index of Germany's most important equities. It shows the trend in the 30 largest companies (in terms of free float, market capitalization and orderbook turnover) that are listed in the Prime Standard of the Frankfurt Stock Exchange.
DCF
Discounted cash flow
DCF method
The discounted cash method is a method used to determine the value of a company.
DCKG
German Corporate Governance Code
D&O insurance
Directors & officers' insurance; liability insurance for managers.
Dow Jones Index
The Dow Jones Industrial Average is the most well-known stockmarket barometer for the USA. It was introduced in May 1896, includes the 30 most important, market leading companies on the American stockmarket, and reflects their stock price performance.
Due dilligence
Due diligence refers to a risk audit conducted with "due diligence" – generally carried out by an acquirer when acquiring a company.

E

EBIT
Earnings before interest and tax
EBITDA
Earnings before interest, tax, depreciation and amortization
EBIT margin
The EBIT margin is the ratio between EBIT (earnings before interest and tax) and sales revenue.
EBIT after PPA-related amortization
Earnings before interest and tax, and after applying amortization charges deriving from purchase price allocations.
Equity ratio
The equity ratio is the ratio between equity and total equity and liabilities.
EPS
Earnings per share
Equity method
The equity method consolidates in a parent company's Group financial statements its interests in companies over which it can exercise significant influence.
ECB
European Central Bank

F FIFO
First-in, first-out; inventory valuation method.

G Gearing
Gearing is the ratio between debt and equity.

GmbH
Gesellschaft mit beschränkter Haftung ("Limited Liability Company")

GmbH & Co. KG
Limited commercial partnership (KG) formed with a limited liability company (GmbH) as general partner

H HGB
Handelsgesetzbuch (German Commercial Code)

HydroDyn®
Washing technology method to convert highly contaminated or soiled plastics into high purity output material.

I IAS
International Accounting Standard

IASB
International Accounting Standards Board

IDW
Institut der Wirtschaftsprüfer
(Institute of Public Auditors in Germany)

IFR
International Federation of Robotics

IFRIC
International Financial Reporting Committee or interpretations published by the IFRIC.

IFRS
International Financial Reporting Standard

IMF
International Monetary Fund

Interest cover
Interest cover is the ratio between EBIT and interest expense.

Interest rate cap
An interest rate cap is a contractual obligation where the seller of the cap is obligated during the contract term to render a settlement payment to the purchaser if the reference interest rate exceeds the agreed upper interest rate limit at the start of the reference periods.

Interest rate swap
An interest rate swap is a contractual agreement between two parties to exchange interest cash flows during an agreed period.

K KGaA
Kommanditgesellschaft auf Aktien
(commercial partnership limited by shares)

L LLC
Limited Liability Company is a legal form for companies in the USA.

M M&A
Collective term for corporate transactions such as mergers and acquisitions etc.

ma meditec
Assembly systems for medical devices in medical technology.

ma optronic
Testing systems for industrial image processing.

Materials expense ratio
The materials expense ratio compares the cost of materials with the company's total operating revenue.

MDAX
The MDAX midcap DAX index was launched in January 1996, and included 50 companies from conventional sectors that rank after DAX-listed companies in terms of market capitalization and stockmarket turnover. The index thereby reflects the change in the value of so-called mid caps, in other words, companies with medium-sized market capitalizations.

N Net debt
Net debt is the difference between the sum of a company's short-term, medium-term and long-term liabilities (e.g. bank loans) and the sum of its liquid assets and short-term investments.

P

Personnel expense ratio
The personal expense ratio compares a company's personnel expenses with its total operating revenue.

PoC
Percentage-of-completion method (for construction contracts, as per IAS 11)

PPA
Purchase price allocation

Prime Standard
The highest transparency level from listed companies, extending above and beyond the Regulated Market's statutory minimum requirements. The Prime Standard is oriented to Regulated Market companies that also wish to address international investors.

Projected Unit Credit Method
The projected unit credit method is an actuarial method to value pension obligations.

R

R&D
Research and development

RPM
Reinigen-Prüfen-Montieren ("cleaning-testing-assembling")

S

SDAX
The SDAX index of small cap shares emerged from the SMAX stockmarket barometer as part of the restructuring of stock-market indices in 2003. The SDAX comprises the 50 companies of classic sectors that follow the stocks listed in the MDAX in terms of market capitalization and stockmarket turnover. The index thereby reflects the change in the value of so-called small caps, in other words, companies with small market capitalizations.

SE
Societas Europaea is a legal form for stock corporations in the European Union.

SIC
Standing Interpretations Committee; the SIC is the predecessor to the IFRIC, which prepares interpretations and promulgations relating to IAS/IFRS.

Svensson method
The Svensson method is an estimation method to derive yield curves from observable yields on coupon bonds

V

VDMA
Verband Deutscher Maschinen- und Anlagenbauer (German Engineering Federation)

Vecoplan FuelTrack GmbH i. L.
Vecoplan FuelTrack GmbH i.L.; the company is in liquidation (i.L.).

W

WACC
Weighted Average Cost of Capital; lenders' prescribed minimum interest claim.

Working capital
Working capital within the MAX Group is calculated as inventories plus trade receivables less trade payables.

WpHG
Wertpapierhandelsgesetz (German Securities Trading Act)

WpÜG
Wertpapiererwerbs- und Übernahmegesetz (German Securities Acquisition and Takeover Act)

MAX Automation SE
Breite Straße 29 – 31
D-40213 Düsseldorf
Tel. +49 211 90991-0
Fax +49 211 90991-11
www.maxautomation.com