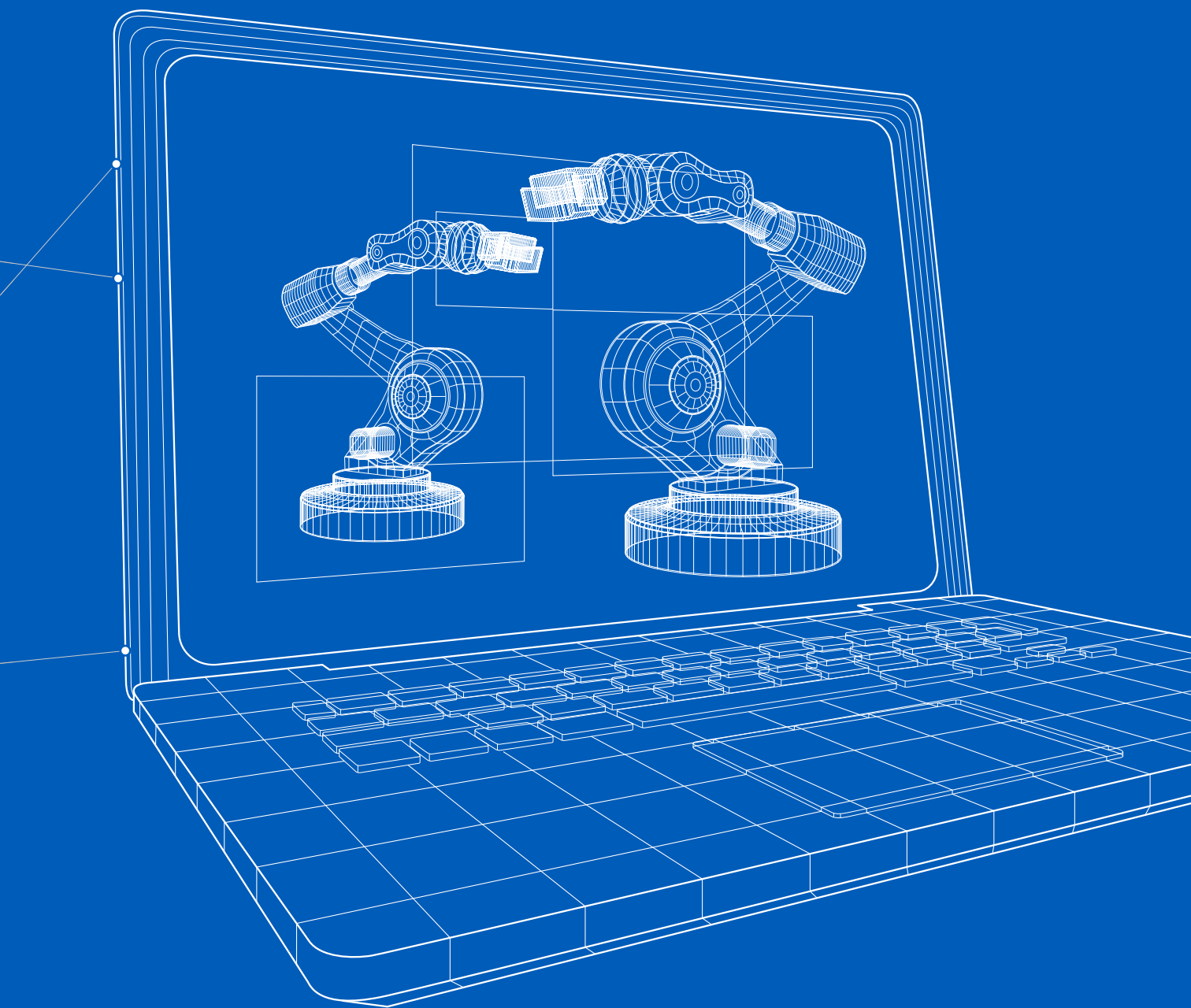


NEW SUCCESSES

ANNUAL REPORT | 2016



KEY GROUP FIGURES IN OVERVIEW

	2016	2015	2014
Results of operations in EUR mill.			
New order intake	395.7	363.7	339.3
Book-to-bill ratio	1.2	1.0	1.0
Order book position at year-end*	193.8	135.2	143.1
Revenue	337.1	384.0	351.6
– of which from Germany	102.3	147.2	132.0
– of which from abroad	234.9	236.8	219.6
EBITDA	24.4	32.3	28.0
EBIT before PPA amortization	17.4	24.8	21.9
as % of total operating revenue	5.1	6.5	6.2
Net income for the year	8.3	10.6	10.0
Earnings per share (in EUR)	0.31	0.38	0.37
Cash flow in EUR mill.			
Cash flow from operating activities	–15.9	34.2	17.8
Cash flow from investing activities	–9.0	–15.8	–2.3
– of which investments	–9.0	–11.5	–9.7
Cash flow from financing activities	26.4	–49.8	10.3
Cash and cash equivalents at year-end	23.0	21.4	52.4
Balance sheet in EUR mill.			
Total assets	306.3	283.2	295.4
Net debt	–69.9	–39.7	–47.9
Equity	111.3	106.9	99.8
Equity ratio in %	36.3	37.7	33.8
Employees (numbers)			
Average number of employees	1,677	1,705	1,681
– of which: trainees	128	144	144
Employees (headcount)	1,751	1,711	1,794
Share			
Number of shares (in millions)	26.8	26.8	26.8
Market capitalization	154.1	154.1	113.9
Dividend per share (in EUR)	0.15	0.15	0.15
Price on balance sheet date in EUR (XETRA closing price)	5.75	5.75	4.25

* adjusted for IFRS effects

CORE SEGMENTS

Industrial Automation – Hightech solutions for long-term growth markets

Industrial production is currently taking its next fundamental development step. Interlinked production solutions significantly boost efficiency and flexibility, enabling companies to serve consumers continually rising requirements – including in terms of product functionality and individuality – and at the same time cut manufacturing costs.

With its Group companies, MAX Automation AG operates as an innovation leader in high-tech engineering. It serves important long-term growth drivers in the business areas of mobility automation, process technologies, new automation technologies and life science automation. These include autonomous driving and mobility, CO₂ emission reduction, the growing deployment of robotics in industrial manufacturing as well as increasing automation in medical technology.

	2016 EUR mill.	2015 EUR mill.	2014 EUR mill.
New order intake	300.7	236.3	216.3
Segment revenue	239.8	252.2	237.0
Segment EBIT before PPA amortization	16.8	26.4	18.0
Average number of employees excluding trainees	1,131	1,046	1,001

Environmental Technology – Expedient responses to ecological challenges

Requirements are becoming greater where the responsible handling of natural resources is concerned. The world's population is growing constantly, requiring ever more energy and raw materials and generating rising volumes of waste and hazardous materials. Policymakers are endeavoring to counter this trend with increasingly stringent environmental regulations.

MAX Automation AG with its Group company Vecoplan has taken an active role in shaping this process for decades. Vecoplan develops innovative components and systems to shred, sort and finally process waste materials. These solutions themselves are distinguished by a high degree of efficiency and consequently environmental compatibility. Customers from the international recycling industry rely on Vecoplan solutions for the sustainable utilization of primary and secondary raw materials. Such equipment enables them to respond efficiently to ecological and social changes.

	2016 EUR mill.	2015 EUR mill.	2014 EUR mill.
New order intake	95.0	127.4	123.0
Segment revenue	97.4	132.2	114.9
Segment EBIT before PPA amortization	1.8	1.5	2.7
Average number of employees excluding trainees	412	510	532

Modern engineering is high-tech. Technologically innovative solutions enable interlinked production – thereby constantly boosting manufacturing efficiency and flexibility and enabling companies to operate successfully in their markets and serve consumers' continually changing requirements.

MAX Automation AG is an internationally operating provider of high-tech engineering solutions. The company, with its corporate Group of enterprises, commands specialized expertise, proven process competencies and very strong innovative capabilities to offer innovative automation solutions to companies enabling them to serve dynamically developing markets. In this context, MAX Automation benefits from several long-term global growth drivers such as digitalization and connectivity in industrial production, electromobility and autonomous driving, CO₂ reduction and rising environmental requirements, as well as the increasing degree of automation in medical technology.

MAX Automation's core competencies relate to the production of machines and systems, as well as the development of software and interlinked applications such as for product management or maintenance. MAX Automation's operating business is allocated to its Group segments of Industrial Automation and Environmental Technology. The Group companies in the Industrial Automation area serve key sectors such as the automotive industry, medical technology, packaging automation and the electronics industry. In the Environmental Technology area, technologically complex systems are developed and produced for the worldwide recycling, energy and raw materials industries.

The MAX Automation AG share 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.

www.maxautomation.de

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■ INDUSTRIAL AUTOMATION ■ ENVIRONMENTAL TECHNOLOGY

“MAX IS A COMPANY EMBARKING ON A JOURNEY“

Management Board members Daniel Fink and Fabian Spilker on the high-tech engineering group's medium-term targets, competencies and market potentials.

Mr. Fink, what is your appraisal of how the 2016 financial year went for MAX?

Fink: 2016 was a demanding year with both ups and downs. We achieved a lot, but didn't perform to plan in all areas. With the development of our "Strategy 2021" – which we already outlined for the first time at the AGM – we set out a clear strategic path of where MAX's journey is headed medium-term. We have made good progress in important action areas such as further internationalizing our business, establishing synergies between Group companies and aligning the product range to major global market drivers. And financially, with new order intake of EUR 396 million and an order book position of EUR 194 million our Group has achieved records that form a good foundation for business growth in 2017. To put it in a nutshell: MAX is a company embarking on a journey.

But the revenue and earnings we reported in 2016 fell short of the previous year's levels.

Spilker: That's right, revenue and earnings trends in 2016 proved unsatisfactory. In the Environmental Technology segment, we were mainly impacted by the low oil price and resultant diminished demand for recycling and processing plants, especially in the USA. Capacity adjustment costs also had an effect. And in the Industrial Automation segment, delays in the awarding of orders led to a situation where our capacity utilization was lower at times, and we had also hired additional personnel. Some orders were not recognized as revenue and earnings during the reporting period as a consequence. Unfortunately, these types of delays by customers of machine and plant orders can never be eliminated fully. What's important is that demand for MAX solutions continues to grow long-term, as can be seen from our very healthy new order intake in 2016.

What are the main points of the 2021 medium-term strategy?

Fink: We will focus even more on the major growth markets we already address with our portfolio today – in the Group area of Industrial Automation these are, of course, the automotive business, but also areas such as medical technology, electronics and general industrial automation. With our companies, we aim to occupy leading positions in all these sub-areas and offer innovative key technologies. In some high-tech areas, we are also acting as an early mover – with correspondingly high growth potential. Here, the principle is that we see ourselves as partners to our customers and accompany them from concept consulting through to local service, end-to-end across the entire plant cycle. Wherever possible and feasible, we aim to actively exploit synergies between our Group companies in this context, whether in purchasing, our presence abroad or know-how transfer – as MAX, as a Group, is more than the sum of its individual parts. In all this we build on our existing portfolio of Group companies, but we also aim to strengthen ourselves in all areas through acquisitions.

To quantify this – we aim to expand organically by between 5 and 8 percent per year, with further growth being achieved through acquisitions. This should double revenue in Industrial Automation to around EUR 500



MANAGEMENT BOARD CHAIRMAN (CEO) DANIEL FINK



MANAGEMENT BOARD MEMBER FABIAN SPILKER

million by 2021. This year in the Group area of Environmental Technology we're making strategic preparations. Depending on the result of our analysis, further revenue growth could be added medium-term. On the earnings side, we aim for a medium-term EBIT return of at least 8 percent measured in terms of consolidated total operating revenue across the whole Group.

The period of MAX Automation as a holding vehicle for medium-sized companies might be finally over as a consequence ...

Fink: This attribute has long since no longer been applicable to MAX. Today we are a decentrally organized high-tech engineering group with activities worldwide. Our Group companies no longer function separately in parallel operations, but are instead already working together technologically or organizationally for our customers' benefit wherever possible. MAX Automation AG as the Group's holding company is responsible for strategic management and the bundling of Group financing. By the way – our growing self-awareness over the past years as a modern international high-tech company also finds expression in our new corporate design and before it in our new logo, which we've already been using since early 2017.

Digitalization and Industry 4.0, robotics, autonomous driving – these are the major trends dominating the headlines. How well is MAX represented here?

Fink: In simplified terms, you could say – we're at the very heart of it and in some areas we're right out there in the vanguard. All these trends – including other important ones such as e-mobility and pollutant reduction in vehicles – need innovative products as well as flexible manufacturing solutions – and here I also mean

INTERVIEW WITH THE MANAGEMENT BOARD

interlinked manufacturing solutions. MAX develops machines and plants that enable our target sectors to efficiently and precisely serve these new demands. For example, MA micro automation builds self-correcting plants for the high-precision assembly of 3D cameras that monitor vehicle environments. If you like, we ensure cars learn to see, which forms the basis for autonomous driving. The more autonomously a car is to be driven, the higher the value creation share of electronics and sensor technology is going to be. Another example: Our new acquisition ESSERT GmbH, which has formed part of the Max Group since January 2017, is strengthening our expertise in developing software for Industry 4.0 applications. Examples include smart services through data goggles enabling remote maintenance of machines as well as virtual training sessions. As a result, this solution delivers considerable savings in terms of travel and service expenses. ESSERT also supplies solutions for collaborative robots – generating entirely new possibilities to deploy robots and further advancing automation in all manufacturing industries. All of these present good examples of the benefits that digitalization offers in further developing industrial processes.

We're talking of global trends, but MAX Group's turnover still derives to a great extent from Germany. What are your internationalization plans?

Fink: It's clear the growth we're aiming for over the coming years has to also be accompanied by a significantly higher proportion of foreign business. Last year, 38 % of revenue in the Group area of Industrial Automation was still attributable to Germany. This proportion is to be reduced to around 30 percent over the coming five years. We are aiming for a situation where an additional 30 % will then derive from other European countries outside Germany as well as 20 % each from Asia and North America. This would represent a balanced revenue mix giving us the opportunity to benefit from the major growth trends in automation in all relevant regions of the world.

What measures do you aim to deploy to achieve this balanced revenue mix?

Fink: Firstly, the planned acquisitions will help expand our presence abroad. Secondly, our foreign Group companies will bundle their strengths much more in the future. For instance, we opened a site in Atlanta, Georgia in early 2017. The new company MAX Automation North America Inc. serves as an operative platform for several Group companies in Industrial Automation to service, commission, assemble and sell plant and machinery, supplementing several of our subsidiaries' US sites. From our Atlanta base, we aim especially to look after Midwest customers in the automotive and medical technology sectors – in accordance with the motto: MAX is "local globally". We need to be as close as possible to our customers.

Such expansion costs money – how do you aim to finance this brisk growth?

Spilker: We're certainly benefiting from the fact that we've done our homework on the financing side over the past years. The EUR 150 million long-term syndicated loan we arranged back in 2015 not only establishes the Group's financing on a new basis but also concentrates it at the holding company, giving us enough scope for both internal and external growth. An additional factor is that our Group has long since enjoyed a very solid equity base. The approximately 36 % equity ratio at the end of 2016 remains clearly above our minimum target of 30 %. This good capital backing also forms the basis to raise future financing on attractive terms. And using existing authorizations for capital increases represents another option to finance growth.

The MAX share failed to achieve any gains in 2016, and ended the year at EUR 5.75 – its level at the start of the year. Has the capital market not yet understood the MAX story?

Spilker: In a long-run view, our share very clearly reports a marked uptrend, and it also reached levels well above EUR 6.50 during the first months of the current year. But I have to admit – this share price level also falls well short of a sufficient reflection of our Group's strategic and business potentials. Our 2021 medium-term strategy, which we have been communicating actively and in detail since this year, shows the capital market clearly where our company's journey is headed. We see MAX on the stock exchange quotations list as an attractive high-tech stock that also stands for a policy of paying dividends that are not just earnings-based, but also continuous and reliable. It is now our task to convincingly convey MAX's potentials and opportunities to the market. The transition to registered shares in 2016 serves precisely this purpose: we aim for better transparency of the shareholder base in order to intensify contact with our shareholders.

Shouldn't inclusion in the S-DAX or Tec DAX indexes also be a strategic objective?

Spilker: Inclusion in an index naturally depends on factors that the Management Board cannot influence, or can only influence to a limited extent, such as the number of new IPOs. For this reason, it isn't feasible to set this as a target. However, inclusion in an index would doubtless significantly increase the attention the capital market pays to our stock. In terms of its technology profile, innovative strength and its market opportunities, MAX would definitely – and I say this with a lot of self-confidence – represent an attractive addition to any index.

MAX GROWTH DRIVERS

ALREADY BENE- FITING FROM FUTURE MARKETS TODAY.

Global markets are characterized by several growth drivers, including – to name just a few examples – advancing digitalization in both business and private lives, new mobility concepts and types of drives and motors, and the increase in health awareness in the population. Companies have long since positioned themselves for this trend, investing constantly in new products – and consequently in new production systems.

MAX Automation and its Group companies develop high-tech solutions to build plant and machinery. As partners to companies, they boost efficiency and flexibility in industrial production, enabling them to exploit growth drivers and succeed in dynamically developing areas. MAX Automation is thereby consistently pursuing its “Strategy 2021” – a clear path to the future and to strong growth.

E-MOBILITY

Renewable energies
driving future
transportation.

AUTONOMOUS DRIVING

Self-driving vehicles
are bringing about a
revolution on the roads.

ROBOTICS

Robots form a high-
performing team with
human beings.

INDUSTRY 4.0

A new working world is
being created through
networking production.

DEMOGRAPHY

The change in the age
pyramid is presenting
new challenges to
the Western world.

CO₂ REDUCTION

Greenhouse gas reduction
is the greatest challenge for
global climate protection.

MAX E-MOBILITY

OUR LATEST DEVELOPMENTS ARE ELECTRIFYING THE AUTOMOTIVE INDUSTRY.

The number of electric vehicles has risen sharply in the past years. In 2016, 1.3 million automobiles worldwide featured electric drives, almost 75% more than in the previous year. Automotive manufacturers and their suppliers are adjusting to this growing demand – and building on their partners' efficient solutions, as offered by MAX Group companies.



2020 | **3,100,000**

The number of e-cars will soon have tripled.

2016 | **1,100,000**

One million e-cars are already on the roads today.

2013 | **400,000**

The number of registered vehicles is growing continuously.

2009 | **100,000**

EVs are being produced in significant numbers for the first time.

ELECTRO-MOBILITY MARKET FORECAST
Source: PRTM Management Consultants

Impregnating electric drives correctly

Nothing works without the stator – this component is responsible for generating electricity in electric drives and is of key importance for electric and hybrid motors as a result. All stators have to be shielded from external effects such as damp, however, requiring waterproofing as a result. Such waterproofing also helps dissipate heat. “We’ve launched a special process on the market for this,” says Markus Rieger, Head of Sales and Marketing at MAX company bdtronic.

The process involves trickling a polyester resin onto the prewarmed, rotating stator and onto the copper windings surrounding it. The bdtronic solution involves no loss of material and requires no subsequent processing, by contrast with conventional methods where the stator is simply dipped in a bath with the impregnating medium and then withdrawn. The process is also monitored and controlled constantly during ongoing production. “You always know how much material is in the stator,” adds Rieger.

The benefits? This process is both faster and more efficient. “This technology enables all our customers in e-mobility to also produce stators very quickly and efficiently long-term,” the sales manager notes. bdtronic is engaged in talks with renowned manufacturers and their suppliers, including all European vehicle producers. “Electromobility is a huge trend and all producers require a lot of waterproofing systems to meet growing demand for e-motors.” bdtronic is currently building the world’s largest and most efficient impregnation system.

Energy flow under control

So-called inverters are sensitive components in electric motors. They are located between motors and batteries and convert direct current to alternating current. The related energy flows are regulated by small control modules in the inverters. “To date these modules have only been tested for functional efficiency in small numbers under laboratory conditions,” explains Edgar Mörtl, Managing Director of Rohwedder Macro Assembly.

With growing demand for electric and hybrid drives, however, the volumes required are also increasing. “This led us to develop the first plant that achieves a high degree of automation in testing,” according to Mörtl. This means in practice that the control modules are functionally tested at the conclusion of production at 170°C, the temperature also prevailing in subsequent operating conditions, in other words. Here the modules have to warm up quickly and be measured at constant temperatures – and in light of high cycle times.

Rohwedder Macro Assembly has also developed a system where the control modules’ surfaces are roughened by laser, preparing them for assembly on the tiniest coolers. “We’re talking of micrometers here,” notes Mörtl. The first of these plants was installed for a major automotive supply company in early 2017. The output volume is no longer comparable with laboratory conditions – the plant processes up to a million control modules per year.





2025 – HIGHLY DYNAMIC GROWTH FORECASTS

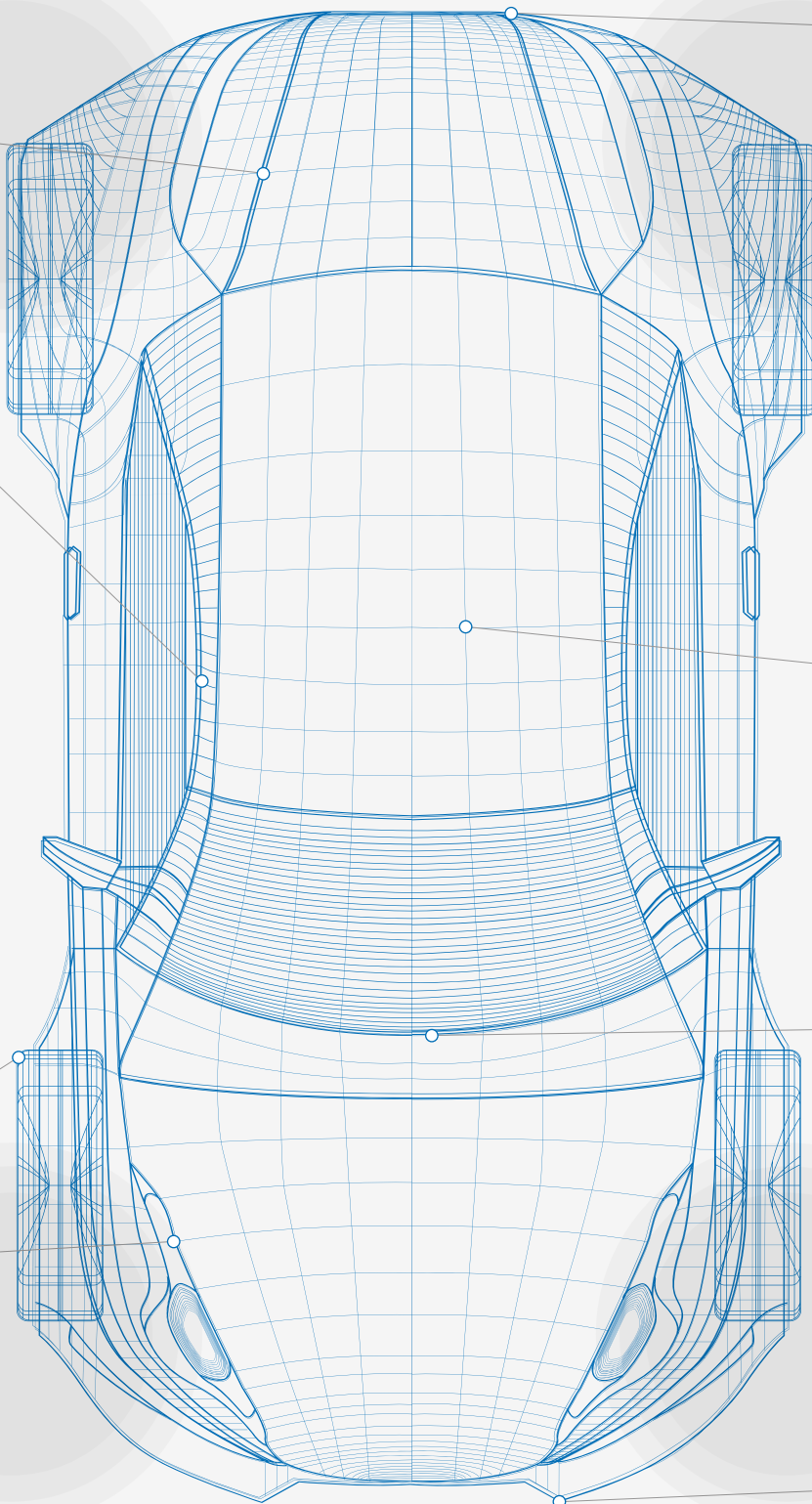
ELECTRIC AUTOMOBILES' SHARE OF THE VEHICLE MARKET IS SET TO RISE SHARPLY OVER THE COMING YEARS, WITH FORECASTS LOOKING TO MARKET SHARES OF UP TO 15% OF NEW VEHICLES BY 2025.

Source: CAM

MAX AUTONOMOUS DRIVING

NEW PERSPECTIVES FOR TOMORROW'S ROAD TRANSPORTATION.

Modern vehicles are learning to see. Whether by means of conventional optics, radar sensors or laser beams – they monitor their environments, support drivers and create the basis for autonomous driving as a consequence. The MAX companies offer the high precision technologies to mount a vehicle's "eyes".



2025

Complete automation.

2017

Autonomous public transport concept
in London in 100 pods.

2013

The new S-Class travels autonomously
from Mannheim to Pfortsheim.

2004–2007

DARPA Grand Challenge
Robot car travels 230 km autonomously.

MILESTONES FOR AUTONOMOUS DRIVING

Source: Automobile industry – The mobility of the day after tomorrow

MAX AUTONOMOUS DRIVING

Combined technologies for radar sensors

Radar systems in the automobile perform numerous functions. They recognize vehicles and obstacles, thereby offering collision protection and gauging distances. These systems also find parking spaces and help to park vehicles. All systems – whether for short or long distances – possess one thing in common: they undergo complex assembly processes comprising several highly specialized technologies such as dosing and metering technology, plasma treatment and heat staking. “We’re the only company offering all the required technologies on a single source basis,” comments Markus Rieger, Head of Sales and Marketing at MAX company bdtronic.

Specifically this means a radar sensor is mounted in a so-called “sandwich design” with a plastic cover and aluminum housing enclosing the sensor. The surfaces of the cover and of the housing are first pretreated with plasma to enhance the adhesive effect of the glue to attach them to each other. Dosing technology is used to apply the adhesive. The plastic rivets are then heat staked and the component is held under tension while the glue dries. “Our process technologies are quite clearly leading the market,” emphasizes Rieger.

bdtronic operates internationally for the large suppliers of driver assistance systems, including the world market leader, and enjoys very good prospects with its positioning. As the Head of Sales and Marketing predicts: “This market is definitely going to become increasingly important over the coming years. We anticipate high growth rates in demand for these types of assistance systems.”

The self-correcting system

Innovative camera, innovative assembly – MAX company MA micro automation has developed an innovative assembly solution for a 3D camera. Thanks to complex software, the camera deployed in vehicles to perform such functions as measuring distances and reading traffic signs takes three-dimensional pictures with just one lens. To date, 3D recognition has generally required two lenses – as is also the case with natural vision. “In terms of assembly, this means the camera lens has to be mounted extremely precisely to align with the imaging chip,” explains René Fath, Director Sales & Service at MA micro automation.

The challenge here is that environmental temperature and air humidity affect the adhesive utilized, causing corresponding differences during assembly. “We’re talking of micrometers,” notes René Fath. For this reason, the MA micro automation system identifies such deviations at the end of the assembly phase and integrates them into production. The lenses are then recalibrated there to offset any differences.

The company already has further plans: “With this development we’re on board for the next generation – namely, laser-supported driver assistance systems,” says Fath. “And these systems will then make even greater demands on precision in assembly.” Here the Sales & Service Director is certain demand for such automation solutions in the autonomous driving area will increase further. “Camera systems are no longer just being deployed in luxury class and medium class vehicles, but also in more and more compact cars – with demand trending upwards as a result.”





1 TRILLION SENSORS AND CHIPS IN 2017

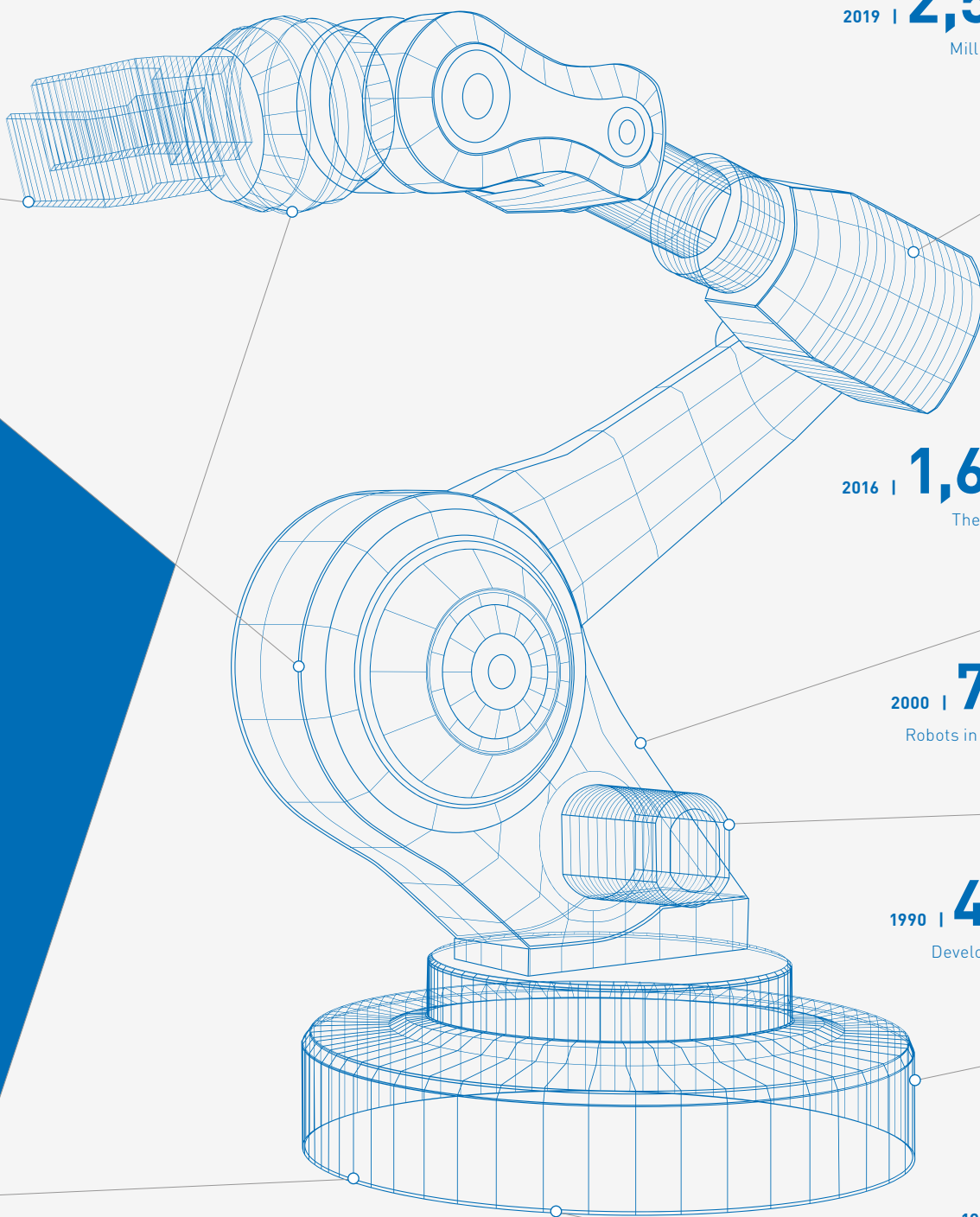
SENSORS ARE ESSENTIAL IN ALL DEVELOPMENTS RELATING TO AUTONOMOUS DRIVING, ENSURING DRIVER AND VEHICLE REACH THEIR DESTINATION SAFELY. ONE TRILLION CHIPS AND SENSORS WILL BE SHIPPED FOR THE FIRST TIME IN 2017.

Source: IC Insights

MAX ROBOTICS

SOLUTIONS MAKING MACHINES SMARTER.

Industrial robots are evolving rapidly. Modern collaborative robots not only perform highly precise tasks but also directly help people in their work. The MAX Automation Group companies are helping drive this development.



2019 | **2,589,000**
Millions of new robots to start working worldwide.

2016 | **1,632,000**
The current number of robots deployed internationally.

2000 | **750,000**
Robots in deployment at the start of the new millennium.

1990 | **454,000**
Development gains momentum.

1973 | **3,000**
The early days of robot deployment still look a bit modest.

ESTIMATED OPERATING DEPLOYMENT OF INDUSTRIAL ROBOTS
Source: IFR World Robotics 2016

Highly flexible vehicle production

Vehicle manufacturers succeed in fulfilling two contradictory demands – today they produce their vehicles according to lightweight design principles to minimize weight and consequently consumption, including the use of aluminum. At the same time, such designs require particularly secure screw assemblies to ensure a high degree of stability and consequently safety – a goal difficult to achieve with comparatively soft aluminum. They utilize so-called helicoils to resolve this dilemma – stable inserts in the aluminum enclosing the threads like a steel corset.

“But these inserts are very small and consequently complex to handle,” note Christoph Laeis, Managing Director of INDAT Robotics. This prompted the MAX Group company to develop a novel robotics solution to insert helicoils. It combines handling and assembly cells where industrial robots load the helicoils onto the individual aluminum components in a fully automated process and then insert the helicoils in a second step.

“This method’s advantage is that highly flexible production can occur without loading times,” explains Laeis. Which means previous production cells were arranged for individual structural components. If vehicle manufacturers used a new component geometry, it automatically also required a new cell – leading to problems in terms of space requirements and materials flows given an ever greater range of vehicle models. Manufacturers also have to supply spare parts for up to 15 years, incurring additional space demands. “By contrast, our robotics solution can adjust to the individual components, and offers end-to-end process monitoring,” according to the managing director. “This creates new possibilities in connective manufacturing.”

The robot as colleague

The next evolutionary step in robotics is currently unfolding by deploying collaborative robots, so-called cobots. These no longer work like conventional industrial robots within their own demarcated cell, but directly hand-in-hand with their human colleagues, thereby opening up completely new possibilities in automation and enhancing their human colleagues’ efficiency.

MAX Group company ESSERT develops the control software for such cobots – and for the first time is deploying a two armed robot for a major group in France. “This project mainly concerns the assembly of delicate components that only human beings have been able to perform to date,” explains Managing Director Christopher Essert. “The robot sees and feels with our software and is becoming ever more humanoid as a result. Specifically this is a cobot that can move like a human being through 14 axes and assembles ring-shaped sealing components, so-called O-rings, that can be held with two “hands”.

The deployment possibilities are manifold, as in the assembly of electronics components and sensors or even in the production of bathroom fittings – in other words, in areas where the utilization of large machines is not viable. “The trend is currently heading clearly in the direction of small lot sizes and high flexibility,” states Essert. In other words, towards robots that can manufacture products in a process that is as flexible as possible and in connection with short set-up times. And that need software to learn complex motion sequences. “So we’re realizing automated value creation with a high software content.”





1,400,000 NEW ROBOTS

A TOTAL OF 1.4 MILLION NEW INDUSTRIAL ROBOTS ARE FORECAST TO BE INSTALLED WORLDWIDE BY 2019. MASSIVE DEMAND FROM CHINA, ACCOUNTING FOR 40% OF TOTAL MARKET VOLUME, IS ONE OF THE DRIVERS OF THESE DEVELOPMENTS.

Source: Roboter-Weltstatistik 2016

MAX INDUSTRY 4.0

SERVICE OFFERINGS WITH AN EYE ON YOUR PRODUCTIVITY.

Everyone's talking about Industry 4.0. Connectivity in industrial production is set to lead to greater efficiency. Christopher Essert, Managing Director of MAX company ESSERT, on the growing significance of intelligent software in engineering and new business models for its suppliers.

2020 | **50 billion**

Forecast growth in
networked devices.

2015 | **25 billion**

The number of networked devices
is doubling every five years.

2010 | **12.5 billion**

Number of networked devices.

FORECAST FOR NETWORKED DEVICES
Source: Cisco IBSG

Mr. Essert, Industry 4.0 is an overused catchword. But it hardly conveys a standardized meaning. What's the reason for this?

For us, Industry 4.0 means plant engineering and machine building companies establishing closer relationships to their products. The machine is no longer reduced to a piece of steel but can instead communicate with the respective manufacturer thanks to intelligent software. Manufacturers constantly receive data from the machine and can measure their capacity utilization, enabling them to anticipate disruptions and reduce downtimes sustainably. This integrates them into the service process at an early stage and allows them to continuously optimize machines. It means that machine and plant constructors don't just sell a piece of steel but also intelligent software – we refer to this as smart services. In this way, entirely new business areas and business models are arising for machine building and plant engineering companies.

What ESSERT solutions do you offer in this context?

We develop software solutions for smart services. These are apps deployed in service, support and maintenance. Our currently leading app relates to so-called augmented support via data goggles – if the system is interrupted, one of the plant operator's technicians locally can put on the data goggles. An external expert can connect with the data goggles by computer and take a virtual look over the technician's shoulder. He can speak with him, superimpose information on the viewfinder and thereby help remedy the problem efficiently. We achieve very short machine standstill periods with this app and we have proved that we reduce experts' travel costs by up to 70 %. As the software is standardized, the machine building company buys the software once from us and sells it to the plant operator over the years by way of licensing fee.

On the subject of data goggles topic – how is this solution developing at present?

They are becoming increasingly accepted. The benefits are clear, after all. Our largest customer is a printing machine manufacturer offering its customers maintenance agreements that include data goggles. Time is very crucial to printing machines. In other words, if the machine is down, the daily newspapers can't be printed on time. Which is why there isn't a lot of time to send out a technician. Another customer uses the model for its maintenance at its own works, and has data goggles at its plants worldwide. So if a production line is down at a plant in China, for instance, someone in Germany can activate the goggles and use them to deliver very smart advice.

Is this as far as it goes with this solution? Or where is the journey headed next?

The possibilities are multifaceted. I compare it with a smart phone – which is only as smart as it is because there are so many apps for it. We're pursuing the same approach – we're busy working on apps – similar to the ones we already know in the consumer area, but not yet in the industrial area. Examples include an industrial YouTube where customers can create their own tutorials with their data goggles or smart phone. A printing machine provides one example: the provider can film the calibration of a machine and make this tutorial available for its customer. This can be transferred to various areas, such as training videos or maintenance videos. In the final analysis, all these solutions are concerned with storing data centrally and making them available decentrally.

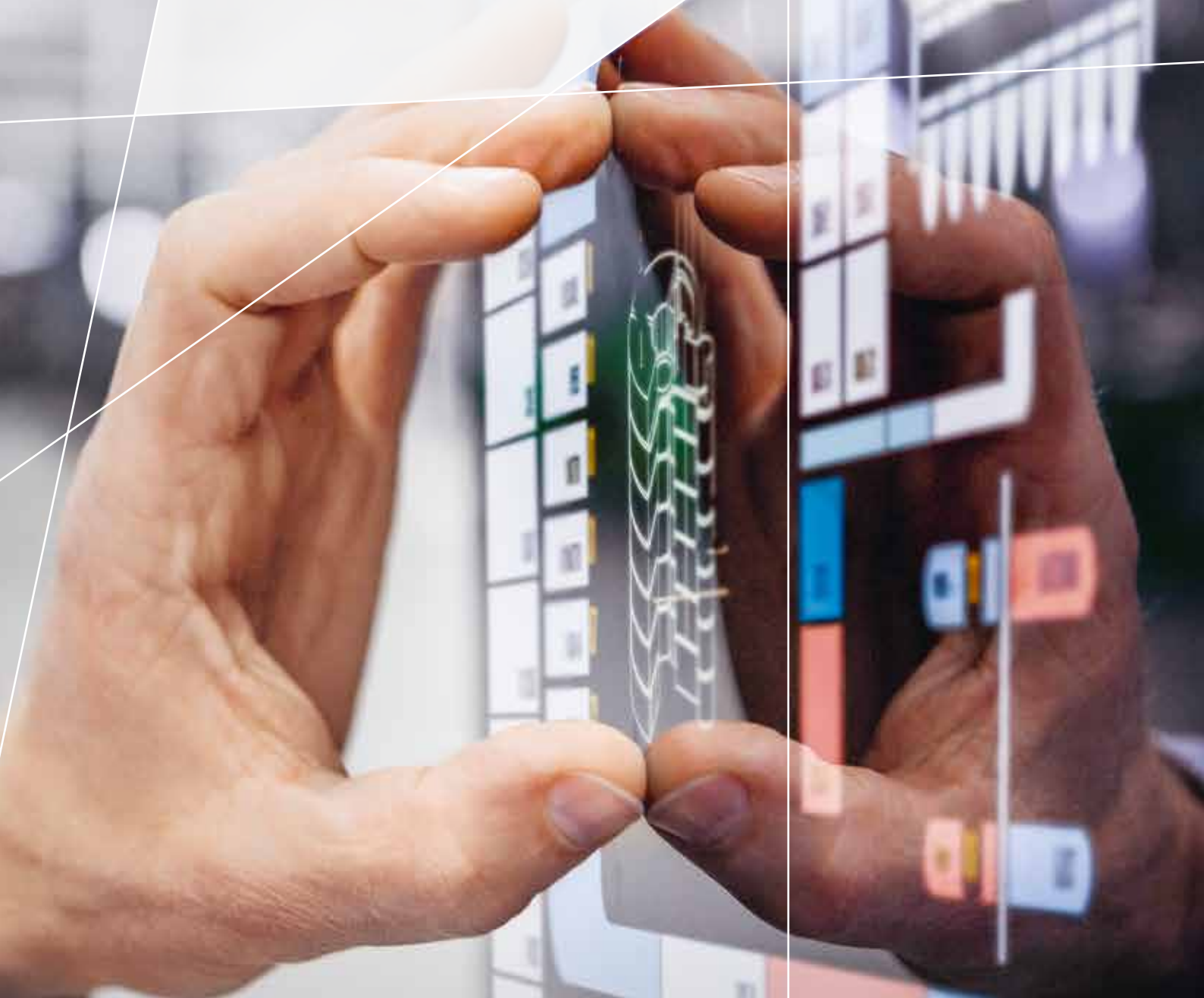




EUR 900 BILLION INVESTMENT

COMPANIES WORLDWIDE AIM TO INVEST 5%
OF THEIR ANNUAL TURNOVER IN INDUSTRY
4.0 ACCORDING TO A PWC STUDY.

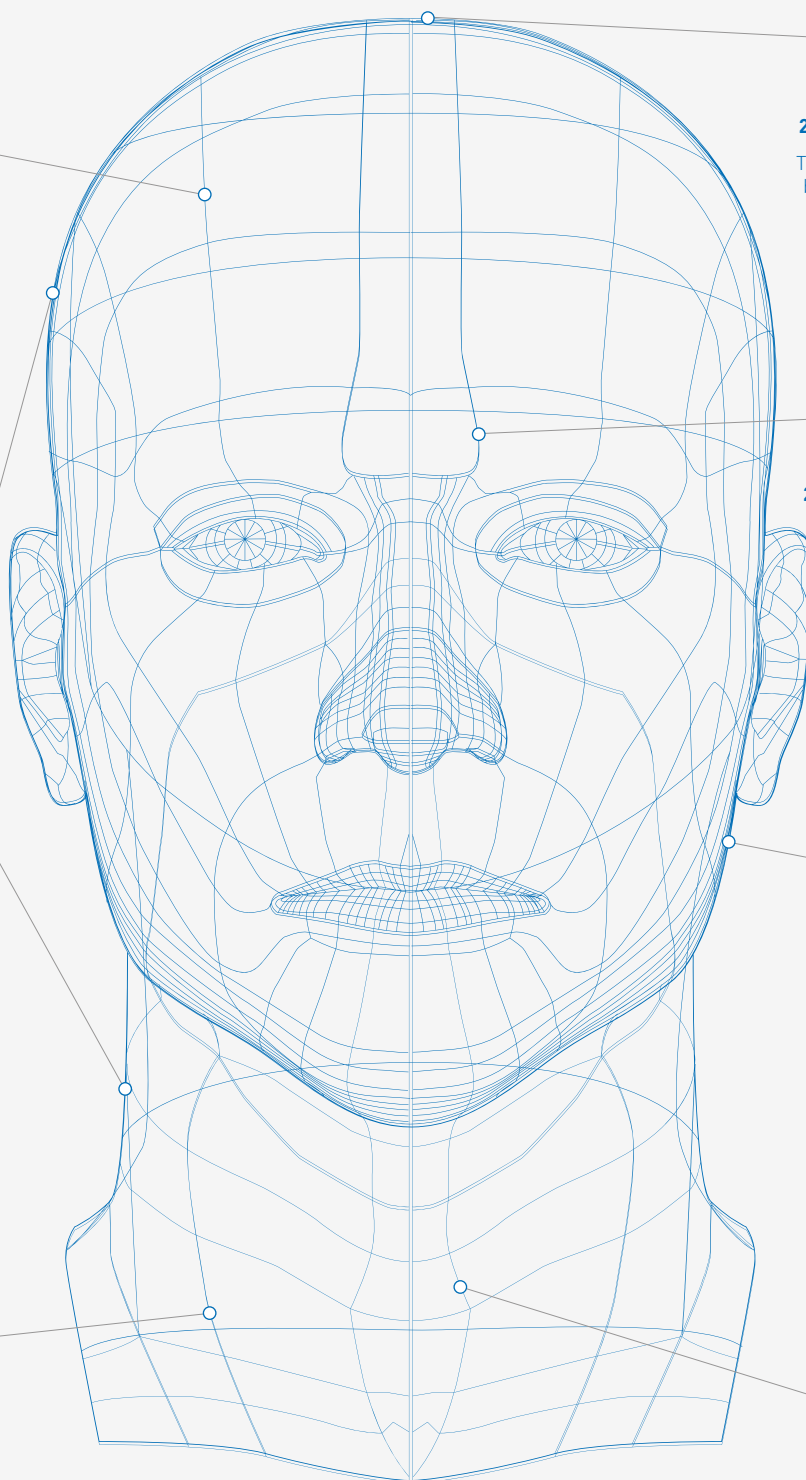
Source: 2016 Global Industry 4.0 Survey



MAX DEMOGRAPHY

WE ENSURE LONGER LIVES OF BETTER QUALITY.

People are living longer than ever before thanks to medical progress. This trend is also accompanied by an increase in health awareness: individuals wish to maintain control of medical treatments and continue to lead self-determined lives in their more advanced years. The MAX companies offer the right technologies for this.



2045 | **4,362,000**

The number of individuals requiring care will be increasing rapidly over the coming years.

2013 | **2,626,000**

Today, the number of individuals needing care has reached an historic high.

1999 | **2,016,000**

Before the start of the new millennium, 2% of the population required care.

FORECAST OF INDIVIDUALS REQUIRING CARE

Source: German Federal Statistical Office; Calculations: BIB

Automation against cataracts

The risk of cataracts increases with age. The illness cannot be treated with medication, but necessitates an operation instead, whereby the eye's natural lens is exchanged for an artificial lens. "Nowadays, these lenses are produced on a semiautomated basis," comments Joachim Hardt, Managing Director of MA micro automation. "But demand is increasing tremendously. The volumes required can no longer be produced that easily by hand."

Fully automated production has faced major challenges to date, however. The lenses must meet high quality criteria as well as ensuring consistent quality levels. They are also already so expensive to produce that defective products would immediately lead to tangible costs. MA micro automation has now developed a system for one manufacturer of such lenses that enables fully automated production. Here, optical systems constantly check whether products meet the high requirements, and are managed by software the company has developed itself. As a result, the system can map and perform a stable and complete process – covering all production steps from injection molding of the plastic forms through to automated packaging.

"With this system, we are the first provider to take the step to full automation," as Joachim Hardt explains. This step is also made possible by the great confidence MA micro automation enjoys with its customer, as both companies have already been working together for ten years. Day lenses, monthly lenses, cosmetic lenses or intraocular lenses – the potential market for the MAX solution is great – and continues to grow.

Cameras for self-determined lifestyles

Many people wish to continue living in their own homes when they are old and so stay within a familiar environment. This type of self-determined lifestyle nevertheless bears a significant risk – emergencies, if they arise, can go undetected due to a lack of local care personnel on hand to provide rapid help. Although cameras that can monitor homes and help detect accidents might represent a solution, they nevertheless entail problems in terms of data protection.

"The individual on the images must not be identifiable," explains Dr. Andreas Fischer, Managing Director of AIM Micro Systems. "Therefore, we are working with thermography cameras that utilize the heat of the human body as a light source." Conventional heat imaging cameras are expensive and too large to accommodate them easily in residential settings, however. This has led the MAX Group company to deploy thermal sensors – so-called microbolometers – and tiny lenses to develop a camera that is relatively inexpensive to produce to provide a heat image.

The potential market for such cameras is broad-based and not just limited to the private sphere. The cameras could also monitor machines' temperatures and thereby be utilized in maintenance. Fischer describes how it works: "With this technology we can also enable a machine to feel like a human."





2060:
+180% 80-YEAR-OLDS

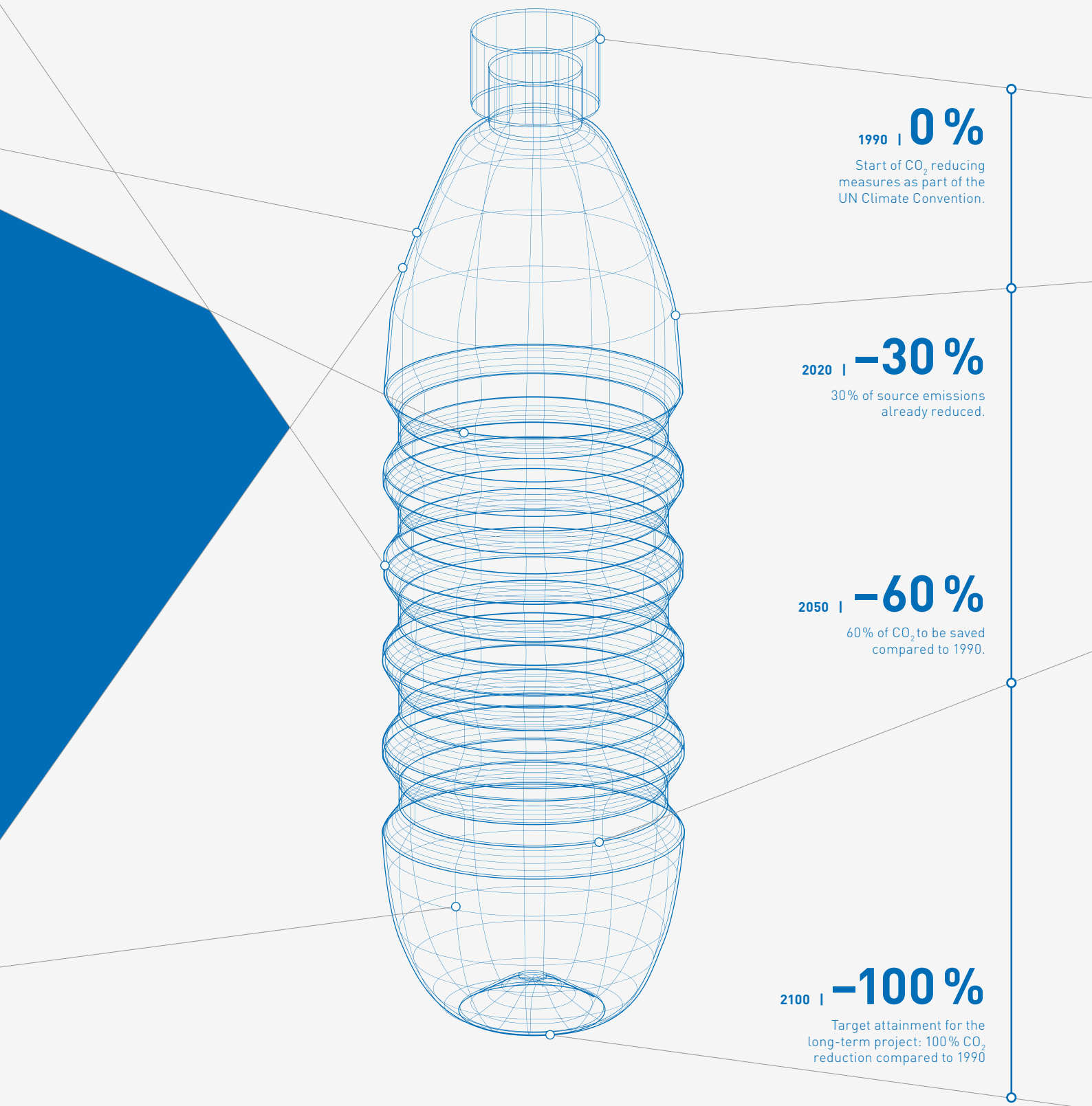
THE BABYBOOMERS ARE GROWING OLDER, WITH THE CONSEQUENCE THAT THE PROPORTION OF INDIVIDUALS OVER 80 IS INCREASING RAPIDLY, AND WITH IT THE NEED FOR MEDICAL CARE.

Source: German Federal Statistical Office

MAX CO₂ REDUCTION

THE PHRASE "LESS IS MORE" HAS NEVER BEEN SO APPROPRIATE.

Policymakers and society are generally of one mind on this point: the burden on the environment – especially from CO₂ emissions – has to be reduced. The available options are highly varied. MAX Group companies enable effective waste disposal and resource-conserving production, for example.



ALMOST 100% REDUCTION OF CO₂ EMISSIONS BY 2100
Source: Germanwatch

Disposing of Yellow Sacks on an environmentally compatible basis

Germany has an extensively developed waste disposal system in place. Waste has to be collected and sorted efficiently before being recycled or converted into energy. An example – Yellow Sacks: after collection the sacks are transported to a sorting plant where they first have to be opened without damaging the contents. “Opening the sacks is no trivial process,” comments Stefan Kaiser, Managing Director of Recycling & Waste at Vecoplan. “Our special construction enables careful tearing of the sacks without shredding the contents, so we have readily sortable material for downstream processes. The particular challenge nevertheless also consists in opening other sacks within the Yellow Sack with the same approach.”

This has led the MAX Group company to develop a system that opens the Yellow Sacks with large pulling hooks relying on innovative and energy-efficient drive technologies. Whereas the shafts with the hooks were previously activated by hydraulic drives with pumps and motors, they are now driven directly – through a so-called HiTorc drive with direct power transfer without clutches or gear units. “This represents a significant step forward because it reduces energy requirements to a third of previous procedures,” explains Kaiser.

The advantages extend even further – the new plant is extremely low maintenance because it operates without hydraulics and consequently normal consumables such as oil. “This procedure considerably reduces operating costs and ultimately also CO₂ emissions in the entire process long-term as a result,” the expert notes. Vecoplan has patented the innovative drive for the system and is already encountering very strong demand for the concept.

Optimization in engine production

Cylinder heads and crankcases form key elements of engines. Before they can be fitted, however, they have to be tested for cavities as castings. Cavities are hollow spaces arising when cast parts harden, making components porous. The engine would later lose pressure and consequently performance. Components have been tested and checked to date on special devices, but these have one serious disadvantage – a separate testing station is required for each workpiece type.

Given growing model diversity in vehicle construction and the related diversity of workpieces, the space requirements for the testing alone have risen enormously for manufacturers. This situation prompted MAX company ELWEMA Automotive to develop a concept for a testing device consisting of four stations by compressing processing motions, utilizing systems twice, reducing electrics, and saving on devices and components, among other measures.

This system was developed in response to a customer order and has been operational since 2016. The benefits in relation to CO₂ emissions are that fewer stations not only reduce the installation space but also the energy required in production. The system thereby considerably reduces energy requirements – an important contribution to curbing CO₂ emissions in manufacturing.





240 MILLION TONNES OF PLASTIC WASTE GENERATED EVERY YEAR

EVEN THE MOST REMOTE ISLAND PARADISES ON OUR PLANET ARE MEANWHILE POLLUTED BY PLASTIC. MORE THAN 6 MILLION TONNES OF WASTE MAKE THEIR WAY INTO THE OCEANS EVERY YEAR, POSING A SERIOUS THREAT TO OUR ECOSYSTEMS.

Source: www.plastic-planet.de

WKN

A2DA58

YEAR-CLOSING PRICE

5.75 EURO

MARKET CAPITALIZATION

154.1 M EURO



THE MAX SHARE

Fluctuating equity markets

The international equity markets showed fluctuating trends over the course of 2016. Stock exchanges registered a weak first half of the year reflecting several negative influencing factors. These factors especially included Great Britain's surprising vote to exit the European Union ("Brexit"), disappointing labor market data from the USA, continuous capital outflows from European equity funds and the Chinese equity market's downtrend. Terrorist attacks in Europe also negatively affected stock markets. Equity markets worldwide recovered during the second half of the year, however. In particular, the outcome of the US presidential elections triggered a stock market rally. Factors such as an improvement in labor market data from the USA and an uptick in the economy in China also had a positive effect.

The German equity market index (DAX) shed significant value at the start of the year, trading below 9,000 points by mid-February. It was thereby down by around 20 % compared with its level at the previous year-end, making its worst start to a year for half a century. The Brexit vote prompted further losses in June. The DAX nevertheless made good its declines in the following months and gathered significant momentum especially towards the year-end. The index reported a 17-month high on the last trading day of the year under review. The closing price of 2016 was recorded at 11,481 points, representing a value appreciation compared with the previous year's 10,743 point closing price of 6.9 % (previous year: +9.6 %).

German mid cap and small cap shares performed well over the course of the full year. The SDAX index was up by 4.6 % (previous year: +26.6 %). At the year-end, the MDAX index quoted 6.8 % above the corresponding previous year's level (+22.7 %).

US equity markets made a subdued start to 2016, although they performed dynamically towards the year-end under the effect of the result of the US presidential elections. The Dow Jones Index appreciated by 13.4 % in value over the full course of the year (previous year: +2.2 %). The S&P 500 was up by 9.5 % (previous year: -0.7 %).

MAX Automation share performs well overall

The share of MAX Automation AG performed well overall over the course of 2016 – following the previous year's 35.3 % price appreciation. Although it traded down at the start of the year, marking its low for the year of EUR 4.77 on February 9, it then entered a continuous uptrend. It reached its high for the year of EUR 6.35 on September 26, 10.4 % above its 2015 year-end price of EUR 5.75. In connection with the adjustment of the 2016 revenue and earnings forecast on November 8, the share price then decreased again, slipping to EUR 5.15 on November 11. Nevertheless, the losses were made good by the year-end. The share closed the year at EUR 5.75, the same level as on the previous year's reporting date.

The MAX Automation share significantly outperformed the SDAX share price index over considerable periods of the year. It underperformed only temporarily with its price loss in early November. By the end of the year, however, the share price performance conformed with the comparable index once again.

The market capitalization of the MAX Group of EUR 154.1 million as of December 31, 2016 corresponded to the value on the previous year's same reporting date.

Conversion to registered shares

The Ordinary AGM of MAX Automation AG passed a resolution on August 26, 2016 to convert the company's shares from bearer shares to registered shares. The first trading day for the registered shares was November 28, 2016. The bearer share was last traded on November 25, 2016. With this transition to registered shares, MAX Automation AG is aiming for greater transparency of its shareholder base and closer contact between the company and its shareholders.

Key data for the MAX share in 2016

German Securities Identification Number (WKN)	A2DA58
ISIN	DE000A2DA588
Ticker symbol	MXHN
Share class	No par value registered shares
Number of shares	26.79 million
Notional nominal value per share	EUR 1
Free float share	45.5 %
Segment	Prime Standard
Index	CDAX

Performance of the MAX share in 2016¹

	2016	2015
EBIT before PPA amortization per share (in EUR)	0.65	0.92
Earnings per share (in EUR)	0.31	0.38
Dividend per share (in EUR)	0.15 ²	0.15
High for the year (in EUR)	6.35	5.83
Low for the year (in EUR)	4.77	3.85
Year closing price (in EUR)	5.75	5.75
Dividend yield (in %) ³	2.61	2.61
Market capitalization (in EUR millions) ⁴	154.1	154.1

¹ All data based on Xetra closing prices

² As proposed by the Management and Supervisory boards

³ Based on year-end price

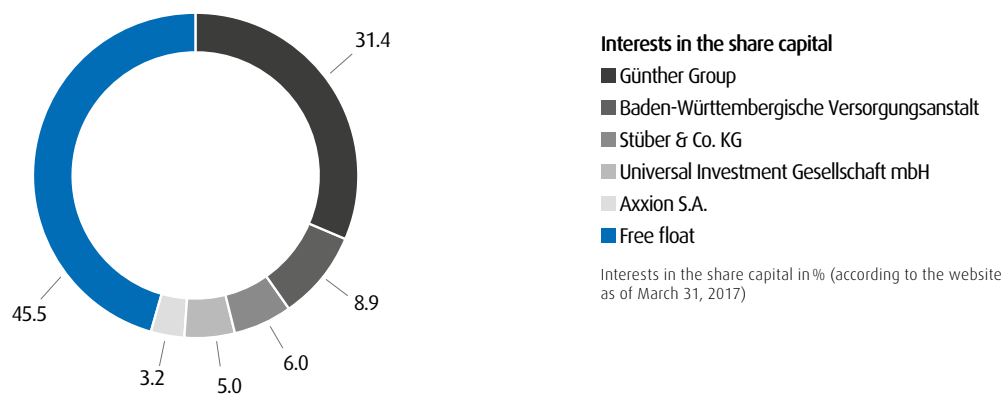
⁴ As of December 31

THE MAX SHARE

Shareholder structure: Günther Group remains largest single shareholder

As of March 31, 2017, the Günther Group remained the largest individual shareholder in MAX Automation AG with a 31.4 % voting rights interest. Further large shareholders based on voting rights announcements submitted to the Management Board included Baden-Württembergische Versorgungsanstalt with an interest of 8.9 %, Stüber & Co. KG with a 6.0 % interest, Universal Investment Gesellschaft mbH with a 5.0 % interest and Axxion S.A. with a 3.2 % interest. A total of 45.5 % of the voting rights comprise the free float held by private and institutional investors as a consequence.

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



Shareholders' General Meeting approves unchanged dividend for 2015

MAX Automation AG pursues a continuous dividend policy, consequently upholding the principle of shareholders participating suitably in the company's success and profitability. The dividend also takes into account the objective of continuously strengthening the Group's equity base for further growth. Distributions from the company's existing net assets base are to be avoided accordingly.

At the Ordinary Shareholders' General Meeting on August 26, 2016, shareholders concurred with the proposed application of unappropriated retained earnings as submitted by the Management and Supervisory boards to pay a constant dividend in relation to previous years of 15 euro cents for the 2015 financial year. This entailed a total payout of EUR 4.0 million. The payout ratio (in relation to consolidated net income) amounted to 38 % (previous year: 40 %). This resolution took the successful business development and growth during 2015 into account.

Proposed dividend takes business progress into account

The Management and Supervisory boards of MAX Automation AG intend to propose to the Ordinary Shareholders' General Meeting to be held on June 30, 2017, in Düsseldorf that it approve the payment of a dividend of 15 euro cents per share for the 2016 financial year. The dividend payout would thereby amount to EUR 4.0 million, corresponding to 46.7 % of consolidated net income. The new proposal for the application of profits takes

into account the principle of fulfilling shareholders' entitlement to returns on their capital while also considering the company's future equity requirements.

Intensive dialog with capital market

MAX Automation AG is committed to the principles of open, comprehensive and prompt communication with the capital market. In accordance with this principle, the Management Board remained in regular contact with analysts, investors from both Germany and abroad, as well as the media in 2016. The Management Board also 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 MAX Automation's significant progress in its transformation to becoming a decentralized industrial group and the Group's further growth strategy. For this purpose, the Management Board conveyed the global market drivers from which the Group companies are benefiting, including autonomous driving, electromobility, as well as the constantly increasing importance of digitalization and robotics in industrial manufacturing.

The analysts from equinet Bank and Warburg Research recommended the MAX Automation share as a "Buy" over the course of the year. The share price targets in the most recent studies as of the date when this annual report was compiled amounted to EUR 7.00 and EUR 7.50 respectively.

The Management Board also conveyed the strategy and business development of MAX Automation AG at roadshows and at investor conferences.

Renowned financial and investor media followed the company's development, outlining 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.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

General

In the 2016 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 2016 financial year in accordance with stock corporation law regulations. The Supervisory Board was also available 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. In particular, the integration of iNDAT Robotics, the utilization of synergies within the MAX Group, and the restructuring of Rohwedder Macro as well as the strategy process remained the focus. 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 with divergence analyses in relation to planning and the previous year, including documentation of liquidity and financial positions. All transactions requiring its approval were discussed intensively with the Management Board, with approval being given 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 on the basis of 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 two extraordinary Supervisory Board meetings were held in the year under review. The full 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:

The Supervisory Board concerned itself with personnel matters at its two extraordinary meetings on January 20, 2016 and February 5, 2016.

At its March 24, 2016 accounts meeting, the Supervisory Board focused on the audit of the separate and consolidated annual financial statements, the combined management report for the Group and the separate entity for the 2015 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 who was present at the meeting. This meeting also focused on the development of the subsidiaries during the 2016 financial year that had commenced, the integration of iNDAT Robotics and the restructuring of Rohwedder Macro. Moreover, the efficiency of Supervisory Board activities was assessed on the basis of a questionnaire (section 5.6 of the German Corporate Governance Code). The conformity statement was also approved and various personnel matters were discussed. Furthermore, the Supervisory Board consulted concerning personnel matters at subsidiaries requiring its approval.

Along with 2016 financial year business trends for the subsidiaries and the Group, the July 1, 2016 meeting's discussions focused on the business development of bdtronic and the restructuring of Rohwedder Macro. The Management Board also presented various potential acquisition targets to the Supervisory Board. Furthermore, the development of a strategy process was launched. In addition, the Supervisory Board consulted concerning personnel matters at subsidiaries requiring its approval. This meeting also discussed the transition from bearer shares to registered shares, and the Supervisory Board's proposed resolutions to the 2016 Ordinary AGM were approved.

At the meeting on September 28, 2016, the Management Board provided a further in-depth report on business trends for the Group and the operating segments, with a focus on NSM Magnettechnik. Progress with the restructuring of Rohwedder Macro, potential acquisitions and the status of the auditor rotation were also discussed. In addition, the Supervisory Board consulted concerning personnel matters at subsidiaries requiring its approval.

The mandating of the auditor was also approved.

The meeting of December 19, 2016 focused especially on the subsidiaries' trends in the 2016 financial year, and the corporate planning that had been submitted for the 2017 financial year. The Supervisory Board examined planning, especially in relation to its plausibility, consulted in detail with the Management Board about opportunities and risks inherent in it, and then approved the planning. The Supervisory Board also approved the acquisition of ESSERT GmbH. Furthermore, the Supervisory Board consulted concerning personnel matters at subsidiaries requiring its approval. The Supervisory Board also covered the risk management system, as well as the status of the transition to registered shares, the auditor rotation and the strategy process.

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 presented on a regular basis.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board also passed resolutions outside the scope of meetings. These particularly related to the appointment of Mr. Daniel Fink to be the Management Board Chairman (CEO), personnel matters and the mandating of the independent auditor for the 2016 half-year financial statements.

Changes to the Management Board

With effect as of April 1, 2016, the Supervisory Board appointed Mr. Daniel Fink for a period of office of three years to be the Management Board Chairman (CEO) of MAX Automation AG.

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 that is appropriate for the early identification of going concern risks to the company and the Group. In this context, the auditor during the course of this audit identified no transactions that are to be reported to the Supervisory Board.

Separate and consolidated financial statements for 2016

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 December 31, 2016, 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 of the separate annual financial statements and consolidated financial statements, these documents 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 Group and the separate entity are in accordance with the separate and consolidated financial statements, convey overall a true and fair view of the situation of MAX Automation AG, and appropriately present the opportunities and risk entailed in its future development.

The auditor was elected by the Ordinary AGM on August 26, 2016, and mandated with the audit by the Supervisory Board after the AGM. The Supervisory Board agreed with the auditor in this context 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 independence 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 Management Board's proposal for the application of unappropriated profit, were submitted to the Supervisory Board with sufficient advanced time to allow thorough examination of all documents.

At the Supervisory Board accounts meeting on March 30, 2017, the Management Board explained the accounts for both the separate entity and the Group, as well as its proposal for the application of unappropriated profit. The Management Board also responded to queries from the Supervisory Board members. Following their explanation by the Management Board, and taking into account the auditor's reports, the Supervisory Board examined the financial statement documents. The auditor who was present at the Supervisory Board accounts meeting reported there in detail about the audit and the audit results, explained the audit report, and responded to the Supervisory Board members' questions. In this context, the auditor also informed the meeting that its audit had not exposed any significant weaknesses in the internal controlling and risk management system in terms of the financial accounting process. The auditor also informed the meeting that no circumstances existed that would give any reasons for concern about its bias, and about which services it had rendered outside the scope of the audit of the financial statements. The Supervisory Board came to the decision that the auditor possesses the requisite independence.

The Supervisory 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 Supervisory Board then issued its approval of the audit result and, as no objections were raised following the conclusive result of its own review, approved the separate annual financial statements, consolidated financial statements, and combined management report for the company and the Group (including the Management Board's corporate governance statement pursuant to Section 289a 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 Supervisory Board concurs with the assessment expressed by the Management Board in its 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 Section 315 (2) Number 5 and (4) of the German Commercial Code (HGB). The Supervisory Board reviewed the proposal submitted by the Management Board 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 Supervisory Board also included the corporate governance statement in its review, and approved it expressly.

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

REPORT OF THE SUPERVISORY BOARD

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 30, 2016, and published it on the Internet. The Supervisory Board has conducted an efficiency audit pursuant to the requirements of the Corporate Governance Code.

The Supervisory Board would like to thank the Management Board, the management board members and 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, March 28, 2017

The Chairman of the Supervisory Board

A handwritten signature in black ink, appearing to read 'Gerhard Lerch', with a stylized flourish at the end.

Gerhard Lerch

CORPORATE GOVERNANCE REPORT

Corporate governance

Compliance with nationally and internationally recognized standards for responsible corporate governance and controlling forms an important criterion for investors' investment decisions. MAX Automation AG 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 AG.

General information about the management structure

MAX Automation AG is subject to the regulations of German stock corporation law, capital market regulations and the provisions of the company's articles of incorporation. MAX Automation AG operates a two-level executive and supervisory structure with its Management and Supervisory boards. The Management and Supervisory boards are – and feel – committed to the interests of the shareholders and the company. Their internal order is regulated in rules of business procedure that supplement statutory provisions and the articles of incorporation. The Shareholders' General Meeting comprises the company's third corporate body.

The Supervisory Board

The Supervisory Board consists of three members who are elected by the Shareholders' General Meeting. The Supervisory Board consults with, and supervises, 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 comprise clear and transparent methods and structures.

The Management and Supervisory boards work together closely and on the basis of trust in the interests of MAX Automation AG. The "Report of the Supervisory Board" in this annual report presents details of focal topical points 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 bases its suggestions exclusively on candidates' professional, specialist, technical and personal characteristics, as well as taking into account appropriate suitability aspects that support the Supervisory Board's function. This includes, 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 has 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

The Management Board of MAX Automation AG manages the company and directs its business. It is bound to act in the company's interest. Its work is aimed at enhancing the company's sustained value. It develops the company's strategic orientation, coordinates it with the Supervisory Board, and ensures that it is implemented. It is also responsible for the company's annual and multi-year planning, as well as for preparing the reports that are required by law, such as separate and consolidated annual financial statements, and interim reports. It is 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 Group relating to strategy, corporate planning, business development and trends, the risk position and risk management.

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

Shareholders' General Meeting

Shareholders exercise their rights and voting rights at the Shareholders' General Meeting. MAX Automation AG only has shares that are fully entitled to voting rights. Each share grants one vote. The annual Ordinary Shareholders' General Meeting is held during the first eight months of every financial year. The agenda for the Shareholders' General Meeting, including reports and documents required for the meeting, are published on the company's website at www.maxautomation.de/investor-relations/hauptversammlung/ and www.maxautomation.de/investor-relations/berichte/finanzberichte/.

MAX Automation AG provides its shareholders with proxy voting arrangements for the Ordinary Shareholders' General Meeting in order 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 legitimization procedure corresponds to the standard procedure in Germany for registered shares. Accordingly, shareholders that are properly registered in the share register on the AGM date are entitled to participate at the AGM. 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 AGM.

Financial accounting, auditing and risk management

The consolidated financial statements of MAX Automation AG 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 Shareholders' General Meeting, the Supervisory Board obtained a confirmation of the independence of its planned auditor. A public selection process that met statutory requirements was held for 2017. The Supervisory Board Chairman asked the auditor to report to it immediately about all matters arising during the 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.

The existing risk management system of 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

CORPORATE GOVERNANCE REPORT

might arise from risks. The combined management report for the company and the Group provides detailed information about the risk management system of MAX Automation AG.

Transparency

MAX Automation AG utilizes the company's website to provide up-to-date information for shareholders and investors at "www.maxautomation.de". 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 unscheduled announcements and press releases.

Sufficiently in advance, 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 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 Supervisory Board and other individuals who exercise managerial functions at MAX Automation AG 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 under www.maxautomation.de/investor-relations/corporate-governance/director-dealings/.

Also as soon as they have been received, the company immediately publishes notifications concerning the purchase or sale of significant voting rights interests pursuant to Section 21 of the German Securities Trading Act (WpHG), or concerning the holding of financial instruments and other instruments pursuant to Section 25 of the German Securities Trading Act (WpHG), or concerning the holding of further financial instruments and other instruments pursuant to Section 25a of the of the German Securities Trading Act (WpHG), on the company's website at www.maxautomation.de/investor-relations/corporate-governance/download-dokumente/. 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 March 30, 2017, the Management and Supervisory boards issued the conformity statement pursuant to 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 under www.maxautomation.de/investor-relations/corporate-governance/download-dokumente/.

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 2016 financial year is published in the combined management reports for the separate entity and for the Group, and disclosed individually.

Compensation of Supervisory Board members

The compensation of Supervisory Board members in the 2016 financial year is presented on an individualized basis in the notes to the consolidated financial statements and in the combined management reports for the separate entity and for the Group.

Stock option programs and similar securities-based incentive schemes

No stock option programs or similar securities-based incentive schemes exist at MAX Automation AG.

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 <http://www.maxautomation.de/investor-relations/corporate-governance/download-dokumente/>.

Düsseldorf, March 28, 2017

The Management Board



Daniel Fink
(Chairman)



Fabian Spilker

For the Supervisory Board



Gerhard Lerch
(Chairman)

CONFORMITY STATEMENT

Statement by the Management and Supervisory boards of MAX Automation AG concerning the recommendations of the “German Corporate Governance Code Government Commission” pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory boards of MAX Automation AG state that, apart from the exceptions listed below, the recommendations of the “Government Commission German Corporate Governance Code” (DCGK) in the version dated May 5, 2015 have been complied with since the last statement was issued on March 24, 2016, and will be complied with in the future. The following recommendations were not complied with:

Relating to 3.8, third paragraph

The directors and officers insurance cover that MAX Automation AG has taken out for the members of its Management and Supervisory boards 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. A deductible has nevertheless been agreed for the Management Board, in accordance with statutory regulations, although such a deductible has not been agreed for the Supervisory Board members. MAX Automation AG is of the view that the motivation and sense of responsibility with which Supervisory Board members perform their duties is not improved by such a deductible. For this reason, the company will continue to refrain from a deductible for Supervisory Board members.

Relating to 4.2.1

Until March 27, 2015, the Management Board consisted of two individuals, one of whom was appointed the Management Board Spokesman (Chief Executive Officer). Due to the Management Board Spokesman stepping down from the Management Board on March 27, 2015, the Supervisory Board decided that the Management Board should consist of just one individual until further notice, so that no Management Board Chair or Spokesperson was appointed at that time. Since April 1, 2016, the Management Board has again consisted of two individuals, one of whom is its Chairperson.

Relating to 5.3

The company’s Supervisory Board consists of three members. For this reason, it is not possible in terms of German stock corporation law to form committees that are capable of passing resolutions, especially an audit committee. Given the Supervisory Board’s size, it also does not appear feasible to form committees that cannot pass resolutions, especially a nomination committee.

Relating to 5.4.1

No age limit was set for Supervisory Board members or a normal duration limit for Supervisory Board membership, as such limitations on Supervisory Board membership failed to take into account either the members’ individuality or the value of many years of experience.

Along with statutory provisions, when making proposals relating to the election of Supervisory Board members, the Supervisory Board bases its suggestions exclusively on candidates’ professional, specialist, technical and personal characteristics, as well as taking into account appropriate suitability aspects that support the Supervisory Board’s function. This includes, for example, having members with relevant business experience. The Supervisory Board has 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.

Relating to 5.4.3

The company reserves the right to also submit applications for court-appointed Supervisory Board members on an indefinite basis. The company nevertheless plans to propose to shareholders the court-appointed Supervisory Board member for election at the next Ordinary Shareholders' General Meeting that is convened following the court appointment. This serves to ensure that a Supervisory Board consisting of just three members 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 taken into consideration in Supervisory Board compensation.

Relating to 6.2

The shareholdings of Management and Supervisory board members are 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.

Relating to 7.1.2

Before being published, the half-year and quarterly financial report are discussed only with the Supervisory Board chairperson, but not with the entire Supervisory Board, as the Management Board sees this as the only way to retain the requisite flexibility.

Düsseldorf, March 28, 2017

The Management Board:



Daniel Fink
(Chairman)



Fabian Spilker

For the Supervisory Board:



Gerhard Lerch
(Chairman)

Combined management report for MAX Automation AG for the 2016 financial year

1. Basis of the parent company and the Group

1.1. Business model

MAX Automation AG, which is based in Düsseldorf, Germany, and its subsidiaries operate as an international hightech mechanical engineering group and leading complete provider of integrated and complex system and component solutions.

The Group has two operating segments: 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 interlinked production. Core competences in this context relate to the creation of machines and systems, and equally the development of software and interlinked applications such as for product management or maintenance. MAX Automation serves several growth drivers in various areas in this context. These include the overall advancing automation in industry, digitalization in both the professional and private areas, robotics and related efficiency enhancements, trends to electro-mobility and autonomous driving, as well as cutting CO2 emissions from automobiles.

The sustainable development of the medium-sized Group companies that form the Group's operating business comprise the primary goal of the business model of MAX Automation. When realizing corporate acquisitions, MAX Automation AG aims to acquire a majority of the share capital, if possible 100 % of the shares. Smaller interests are also possible, however, including with an option to increase interests later.

As the management company, MAX Automation AG is responsible for the Group's strategic and financial steering. It also sets and supervises 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 potentials between the Group companies, thereby raising efficiency within the Group. These include bundling 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 solution approaches in specific projects. MAX Automation has set itself the target of boosting value creation within the Group through targeted enhancement of relationships for the delivery of goods and rendering of services between the Group companies. In some situations, possibilities also exist to exploit sales synergies through project-based collaboration within the MAX Group.

The business trends of the Group companies in the segments, and their corresponding profit transfers, significantly affect the financial position and performance of MAX Automation AG, as the Group parent company. The operating subsidiaries' management teams report to the Management Board of MAX Automation AG, which manages the company at its own responsibility. The Supervisory Board of MAX Automation AG appoints, supervises and advises the Management Board. The Supervisory Board is included in all business transactions of key significance for the parent company or the Group. It is in close contact with the Management Board to this end.

As a public stock corporation, MAX Automation AG is listed on the Frankfurt Securities Exchange. The MAX Automation share has been listed in the Prime Standard segment of Deutsche Börse AG since April 2015.

All of the Group operating companies are allocated to one of the two segments of either Industrial Automation or Environmental Technology.

The following companies with their significant subsidiaries belonged to the Industrial Automation segment in the 2016 financial year:

- NSM Magnettechnik-Gruppe
 - NSM Packtec GmbH
- ELWEMA Automotive GmbH
- IWM Automation-Gruppe
- bdtronic-Gruppe
- MA micro automation GmbH
- Rohwedder Macro Assembly GmbH
- iNDAT Robotics GmbH
- Mess- und Regeltechnik Jücker GmbH
- AIM Micro Systems GmbH
- ESSERT GmbH (since January 2017)
- MAX Automation North America Inc. (since January 2017)

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

- Vecoplan-Gruppe
 - Vecoplan LLC (USA)

The Group companies of MAX Automation AG are positioned as technologically leading suppliers in their respective markets, developing complex automation and process solutions for their customers worldwide, tailored individually to their requirements. Their range of products and services comprise individual technical components and processes, complete automation systems, and complete specialty mechanical engineering plants. As systems integrators, they also render services for their customers such as consulting (including analyses, tests and feasibility studies), production assistance, maintenance/repair, and software development. As a consequence, the individual Group companies are able to provide integrated automation solutions with a high degree of technical complexity and further-reaching services such as for maintenance and training, on a one-stop-shop basis.

GROUP MANAGEMENT REPORT

The MAX Automation Group's target markets are located mainly in Europe, North and South America, and Asia. The Group companies develop and produce their hightech automation solutions mainly in Germany, as well as at selected sales and service sites abroad. The Group companies' international sales branches offer contacts for extensive customer care and service worldwide.

The most important customer groups in the Industrial Automation segment include the automotive industry and its suppliers, medical technology, the electronics industry, and packaging automation. In the Environmental Technology segment, the customer base particularly includes 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 AG makes recourse to financial management indicators to manage and assess its Group operating business. 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, gearing, and interest coverage ratio. The Group is managed through setting target ranges.

1.2.2. Strategic positioning

MAX Automation AG pursues a long-term oriented business model. It is based on the Group companies' specific strengths and the standard Group strategic instructions from MAX Automation AG as the management company. The Group's strategic positioning is characterized essentially by the following aspects:

- **Positioning based on added values:** In the Industrial Automation and Environmental Technology segments, the MAX Automation Group companies act as close partners to their customers, and combine individual automation components and extensive system, process and software expertise to develop customized and technologically high-end solutions, including supplementary services, on a "one-stop-shop basis". In doing so, they pursue the objective of achieving optimizations to their customers' production processes, based on their specific requirements. The companies thereby generate important added values for their customers, offering some significant USPs compared to competitors. This added value positioning is of key significance for the MAX Automation Group's long-term business success and profitability.

- **Comprehensive project management:** MAX Automation subsidiaries are able to integrate various products and services within a uniform project management offering. This includes deploying high-end technology solutions in combination with special process expertise and extensive services. Along with business with individual components, it also creates the foundation to increasingly acquire and realize complex large-scale projects in international markets. This positioning generates high demand for specialized technical staff. Recruiting and fostering qualified and specialist staff consequently forms a central challenge for the Group companies in their respective markets.
- **Concentration on high-tech:** With its subsidiaries, MAX Automation operates in a global dynamic environment characterized by intense global competition and permanent technical progress. Advancing digitalization in industrial production, the interlinking of machines and systems, and high-growth industrial areas such as micro-automation and robotics are ascribed great significance in this context. The development of software solutions, such as for the management or maintenance of plant, is closely related to this trend. For this reason, innovative products and services that create sustainable optimizations and consequently measurable added values for customers are critical to the Group's long-term success. Continuous further development of technologies and development of innovative solutions is consequently of great importance to securing and further expanding our individual Group companies' market positions.
- **Early positioning in growth markets:** The early identification of growth trends in individual markets and a strategic orientation to such trends are key to the business success of the MAX Automation Group. Growth drivers for MAX Automation include, for example, the necessary CO₂ reduction in the automotive area, trends to electro-mobility and autonomous driving with related technologies, progress in digitalization and robotics, and demographic trends and related greater health awareness in the population. As the management company, MAX Automation pursues the objective in this context of helping shape technological developments with corresponding innovations, such as in the areas of Augmented Automation, Big Data and collaborative robotics, to benefit from such growth drivers long-term.
- **Targeted expansion of international business:** The internationalization of business in both segments – Industrial Automation and Environmental Technology – forms an essential precondition for the Group's further growth. Especially given dynamic growth markets in the long-term emerging and up-and-coming economies of Asia and South America, and great investment demand in environmental management on the North American continent and in fast-growing cities worldwide, the Group companies are systematically expanding their international business. An international network of sales and service branch operations that are partly utilized by Group companies jointly as well as selected production sites abroad provide a base from which the MAX Automation Group conserved local customer requirements, generate synergies and progress its acquisition efforts. The Group pursues the objective in this context of expanding its network of locations abroad on a targeted basis, especially in North America and China.

1.3. Research and development

The MAX Group counts internationally leading companies from various sectors among its customer base. In order to achieve this positioning, these customers require individual automation solutions that make the most advanced, leading-edge technologies and processes usable. The market environment is characterized by rapid technological change, highly intense competition, and a rising number of statutory regulations, especially in the environmental segment.

Given this, MAX Automation regards the research and development (R&D) area as an indispensable pre-condition to success in the individual markets of the MAX Automation Group. Research and development is organized on a decentralized basis: as the Group's strategic management company, MAX Automation AG does not conduct its own research activities. All of the subsidiaries have 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 are continuously expanding their technological expertise in order to tap promising new automation markets. Accordingly, the MAX Group companies possess a comparatively young product portfolio with numerous innovations. A particular focus in this context is on solutions in the area of interlinked production ("Industry 4.0").

During the 2016 financial year, important innovations related to the following Group companies, leading to competitive advantages as well as USPs in the respective markets:

- ELWEMA Automotive: Developing a steam cleaning system for engine and gear unit manufacturing, which offers benefits compared with conventional methods, including saving around 95 % of water consumption, a significantly reduced space requirement, and the purchase price considerably below costs for conventional technologies.
- bdtronic: Launch of an energy-saving atmospheric plasma system that can be easily integrated into industrial robots, and has a low weight of below 5 kilograms. The transformer can also be installed in the plasma head.
- Vecoplan: Development of a so-called containerized pellet mill in wood pellet production. This product was developed specially for the US market. It is very efficient, requires little space and can be deployed on a flexible basis.

Our R&D activities were connected with several patent filings by Group companies in the year under review.

Of the total EUR 4.4 million of development spend in the 2016 financial year (previous year: EUR 5.1 million), EUR 2.9 million was capitalized. Further information about research and 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

The world economy developed positively in 2016, although overall growth was below average according to data from the International Monetary Fund (IMF). In this context, industrialized countries and emerging economies reported differing economic trends in the year under review: Growth in established economies was moderate, while some significant growth was recorded in emerging economies.

The IMF cited several negative influencing factors for the world economy that were especially relevant during the first half of the year. These included the so-called Brexit, in other words, the referendum in the United Kingdom concerning its exit from the European Union, and economic growth slowdown in China, slower than expected growth in the USA, and a reduction in global trade. Ongoing geopolitical uncertainties also exerted a negative effect.

Due to these developments, the IMF recorded a year-on-year unchanged global economic growth rate of 3.1 % in 2016. The Chinese economy expanded by 6.7 %, and the US economy by 1.6 %. The Eurozone economy grew by 1.7 %, according to IMF data, driven by strong private consumption, including in the United Kingdom and Spain.

The economy in Germany was in a moderate upturn in 2016. According to the German Federal Statistical Office, the positive trend reflected mainly private consumption spending, state investments especially due to immigration of refugees from crisis regions, and residential construction. Gross domestic product (GDP) increased by a total of 1.9 %, in line with forecasts by German economic research institutions.

2.1.2. Trends in relevant sectors

The German Engineering Federation (VDMA) reported on a restrained growth trend in 2016 for its member companies, expecting production to stagnate over the full course of the year. Sales were up 1 % year-on-year to reach EUR 220 billion. The VDMA noted in this context that digitalization and the interlinking of manufacturing ("Industry 4.0") is becoming ever more important for member companies in the mechanical and plant engineering industry. According to a study conducted by the Impuls Foundation of the VDMA, German companies see themselves playing a pioneering role internationally.

The VDMA Specialist Waste and Recycling Technology Association measured moderate sector growth in 2016 on the basis of a survey of its member companies, with them expecting their rate of sales growth to halve year-on-year to 1 %. The significance of international business continued to increase during the year, according to the survey.

The VDMA Specialist Robotics and Automation Technology Association expected its sector's sales to grow by a total of 2 % year-on-year to reach EUR 12.5 billion. The International Federation of Robotics (IFR) was optimistic for the medium-term growth of the robotics market in its World Robotic Report 2016. The number of industrial robots newly installed worldwide grew by 14 % in 2016, with automation no longer being a central

competitive factor just for large corporate groups, but also becoming important for small and medium-sized companies.

Automotive markets worldwide performed well overall in 2016. New registrations in the Western European market were up 5 % year-on-year to around 14 million vehicles, according to data from the German Automotive Industry Association (VDA). Although the US market reduced slightly (-2 %) to approximately 17 million vehicles, it was nevertheless at a high level. The Chinese market put in a dynamic performance with an increase of 15 % to around 23 million new registrations.

Sector association Spectaris forecast a positive trend for the German medical technology sector in 2016, with sector sales growing by 2.5 % to EUR 28.3 billion. Here it should be noted that the previous year was already characterized by strong growth. Export sales increased by 3 % to EUR 18.2 billion in 2016, and domestic sales were up 1.5 % to EUR 10.1 billion.

2.2. Group business trends

The MAX Automation Group achieved record levels in terms of new order intake and order book position in the 2016 financial year. This trend arose mainly from brisk business in the Industrial Automation segment as a consequence of numerous orders, especially from the automotive industry.

The consolidated new order intake of the MAX Automation Group amounted to EUR 395.7 million in the year under review, up 8.8 % on the previous year's high level. The consolidated order book position as of December 31, 2016 increased by 43.4 % to EUR 193.8 million. The book-to-bill ratio of 1.17 was significantly above the 1.00 level, thereby indicating an ideal starting base for further sales revenue growth during the course of 2017. The pleasing order book position in 2016 compared with sales revenue and earnings trends below budget. Until the third quarter of 2016, this was chiefly attributable to an unsatisfactory market-driven trend in the Environmental Technology segment due to the continued low oil price and related lower demand for recycling and processing solutions, especially in the USA. The delayed issuing of orders in the Industrial Automation segment also led to lower capacity utilization at times. As a consequence, some orders no longer became effective in terms of revenue and earnings during the reporting period.

Due to the declining revenue and earnings trend during the first nine months of the year under review, the Management Board adjusted its expectations for the full year on November 8, 2016. For instance, it assumed consolidated revenue of between EUR 340 million and EUR 350 million (previously: EUR 370 million to EUR 390 million), combined with earnings before interest and tax (EBIT) and before PPA amortization of between EUR 18 million and EUR 20 million (previously: at least EUR 24 million).

Consolidated revenue over the full course of the 2016 financial year amounted to EUR 337.1 million, 12.2 % down on the previous year. This reduction amounted to 8.2 % after adjusting for the disposal of the activities

Sources:

German Engineering Federation (VDMA), press releases December 13, 2016 and January 11, 2017
German Engineering Federation (VDMA), Specialist Waste and Recycling Technology Association, press release May 9, 2016
German Engineering Federation (VDMA), Specialist Robotics and Automation Technology Association, press release June 21, 2016
International Federation of Robotics (IFR), press release September 29, 2016
German Automotive Industry Association (VDA), press release December 2, 2016
Spectaris, Specialist Medical Technology Association, press release, November 10, 2016

of the former Group company altmayerBTD in 2015. Consolidated EBIT before PPA amortization diminished by 29.9% to EUR 17.4 million, reflecting expenses for capacity adjustments in the Environmental Technology segment and hiring in the Industrial Automation segment given the sharp increase in business volume. It should also be noted that in the previous year the Group benefited from a mix of products and projects that proved beneficial from profitability aspects. PPA amortization increased slightly by 2.6% to EUR 5.0 million. This includes one-off early impairment losses relating mainly to technologies that are no longer marketable.

The net interest result in 2016 improved year-on-year by almost a quarter from EUR –3.6 million to EUR –2.8 million. The marked optimization arose from the realignment of Group financing that was implemented in 2015, which reduced borrowing costs by around EUR 1 million, as expected.

Consolidated equity increased by 4.1% to EUR 111.3 million as of the end of 2016, after having exceeded the EUR 100 million level for the first time in the history of MAX Automation at the end of the previous year. The equity ratio stood at 36.3% as of December 31, 2016, well above the long-term targeted 30% minimum.

Net debt rose to EUR 69.9 million as of December 31, 2016. This increase arises chiefly from the pre-financing of the operating business due to the high new order intake. Net debt amounted to EUR 39.7 million as of the previous year-end.

The Management and Supervisory boards intend to continue the previous years' continuous dividend policy, with shareholders participating appropriately in the business progress. They plan to propose to the Ordinary AGM on June 30, 2017 that it approve a constant dividend of 15 euro cents per share dividend for the financial year elapsed (previous year: 15 euro cents). The total payout would thereby amount to EUR 4.0 million (previous year: EUR 4.0 million).

2.3. Particular events during the financial year

2.3.1. Daniel Fink appointed as Chief Executive Officer

Mr. Daniel Fink was appointed to be the Management Board Chairman (CEO) of MAX Automation AG with effect of April 1, 2016. Mr. Fink manages the business together with Management Board member Fabian Spilker, who has held office since 2013 and continues to act as Chief Financial Officer (CFO). Mr. Fink, who was appointed for a three-year period, succeeded former CEO Bernd Priske, who stepped down in March 2015. Daniel Fink looks back on many years of management activity in various industrial sectors, especially in the project business and plant engineering areas, and he has acquired extensive experience abroad.

2.3.2. Control and profit transfer agreement with Jücker terminated

On June 23, 2016, MAX Automation AG terminated the control and profit transfer agreement with Mess- und Regeltechnik Jücker GmbH with effect as of December 31, 2016.

2.3.3. BTD-Gesellschaft merged with MAX Automation AG

On July 8, 2016, the Management Board of MAX Automation AG announced in the German Federal Gazette (Bundesanzeiger) that BTD Behältertechnik Dettenhausen Verwaltungs GmbH, a wholly-owned subsidiary of MAX Automation AG based in Dettenhausen, was to be merged with MAX Automation AG. The corresponding

merger agreement was concluded on June 30, 2016. BTD Behältertechnik Dettenhausen Verwaltungs GmbH is a general partner of altmayerBTD GmbH & Co. KG. Through the merger the limited commercial partnership (KG) accrues to MAX Automation AG due to the elimination of the general partner.

2.3.4. New corporate design for MAX Automation AG

At the Ordinary AGM of MAX Automation AG on August 26, 2016, shareholders approved a change of corporate name from "MAX Automation AG" to "MAX Automation AG". The change occurred for reasons of simplification and forms part of the Group's new corporate design that was used for the first time in the annual report for the 2016 reporting year and includes new lettering for MAX Automation. The corporate design forms an expression of the MAX Automation Group's successful focusing on hightech engineering over the past years, and a more modern market profile.

2.3.5. Conversion from bearer to registered shares

At the Ordinary AGM on August 26, 2016, the shareholders of MAX Automation AG approved the conversion of MAX Automation shares from bearer shares to registered shares. The change is to increase the transparency of the shareholder base and make it easier for the company to contact its shareholders. The first trading day for the registered shares was November 28, 2016. The bearer share was last traded on November 25, 2016.

2.3.6. MAX Automation AG invests in the growth market of digitalization

On December 21, 2016, the signing occurred for an investment by MAX Automation AG in ESSERT GmbH, a company based in Ubstadt-Weiher near Karlsruhe in Baden-Württemberg. ESSERT is an expert in industrial automation, especially the digitalization of automation processes and development of related technology and software. MAX Automation's investment initially amounts to a minority investment. At the same time, the company receives an option to gradually increase its interest over the coming years. With its investment in ESSERT, MAX Automation is significantly expanding its expertise in developing software for Industry 4.0 applications as well as in collaborative robotics. This investment also generates important synergies with MAX Group subsidiaries (see section 7: Events after the reporting date).

2.4. Group financial accounting and scope of consolidation

MAX Automation AG prepared its consolidated financial statements for the 2016 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.

In accordance with amendments relating to commercial accounting regulations, other operating income connected with products, merchandise or services was qualified as sales revenue in 2016. The adjustment of the previous year amounted to EUR 0.2 million.

On February 6, 2015, INDAT Robotics GmbH was acquired, and included within the Group for the first time as of February 1, 2015. With effect as of December 31, 2015, the BTD and altmayer operating parts of altmayer-BTD GmbH & Co. KG were sold as part of two management buyouts. For this reason, they are included in the comparable 2015 figures in the income statement but no longer in the comparable figures for the consolidated balance sheet as of December 31, 2015.

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 MAX Automation Group achieved record new order intake in 2016 of EUR 395.7 million, an increase of EUR 32.0 million, or 8.8 %, compared with the previous year's equivalent figure (2015: EUR 363.7 million).

Order trends proved to be very different in the two operating segments: In the Industrial Automation segment, new order intake reported marked growth of 27.2 % to reach EUR 300.7 million (previous year: EUR 236.3 million). Positive factors in this context included the master agreements that were concluded in the previous year with important automotive sector customers. Some orders that had been notified in advance were nevertheless finally issued with a delay.

In the Environmental Technology segment, by contrast, new orders of EUR 95.0 million were down 25.4 % on the previous year's level (2015: EUR 127.4 million). This downtrend reflected less demand for recycling and processing solutions, especially in the USA, due to the continued low oil price in the reporting year. It should also be noted that the previous year's figure still included new order intake for altmayerBTD, which was divested. After a restrained demand trend especially in the second and third quarters of 2016, customers' reticence to issue orders eased during the fourth quarter. The segment achieved EUR 35.7 million of new order intake during the October to December months, for example, ahead of expectations.

The consolidated order book position of EUR 193.8 million as of December 31, 2016, also represents a record level compared to previous years. It was thereby EUR 58.6 million, or 43.4 %, above the level of EUR 135.2 million as of December 31, 2015. The book-to-bill ratio, the ratio between new order intake in revenue, stood at 1.17 (previous year: 0.95). With its high order book position, the Group enjoys a very good starting base for 2017.

In Industrial Automation, the order book position was up by EUR 61.0 million to reach EUR 164.1 million as of December 31, 2016, reflecting brisk new order intake (December 31, 2015: EUR 103.1 million). In Environmental Technology, the order book position reduced to EUR 29.7 million as of December 31, 2016 (previous year's reporting date: EUR 32.1 million).

2.6. Revenue and results of operations

The consolidated revenue of MAX Automation diminished by EUR 46.9 million, or 12.2 %, to EUR 337.1 million in 2016 (previous year: EUR 384.0 million). This downtrend arises mainly from the marked reduction in revenue in Environmental Technology. Moreover, some major orders in the Industrial Automation segment were issued with a delay and consequently failed to be fully recognized as revenue in the reporting year. It should also be noted that the previous year's consolidated revenue still included the revenue contribution from the operating business of altmayerBTD, which was sold in December 2015. After making adjustments to reflect changes to the portfolio, the year-on-year revenue reduction consequently amounted to 8.2 %.

The export share of Group revenue amounted to 69.7 % in 2016, compared with 61.7 % in the previous year.

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The total operating revenue of the MAX Automation Group reduced by EUR 39.7 million, or 10.4 %, to EUR 342.8 million (previous year: EUR 382.6 million). This includes EUR 2.6 million of inventory changes (previous year: EUR –3.5 million) and other work performed by the company and capitalized of EUR 3.1 million (previous year: EUR 2.0 million).

Other operating income reduced to EUR 9.8 million, compared with EUR 13.7 million in the previous year, reflecting a lower level of gains from currency differences. These reduced to EUR 2.4 million, compared with EUR 7.0 million in the previous year. Correspondingly, losses on currency differences also reduced (see “other operating expenses” item).

Due to the lower level of total operating revenue, the cost of materials diminished from EUR 197.4 million to EUR 175.6 million (–11.0 %). The cost of materials ratio – in relation to total operating revenue – improved slightly year-on-year from 51.6 % to 51.2 %. This trend was affected positively by the utilization of synergies in the form of bundling purchasing volumes and concluding master agreements.

Personnel expenses reduced by 3.3 %, from EUR 110.2 million to EUR 106.6 million, chiefly reflecting the disposal of the operating business of altmayerBTD and capacity adjustments at the Vecoplan Group due to the lower business volume. In the Industrial Automation segment, by contrast, significant hiring occurred due to the sharp increase in new order intake. These preliminary costs have placed a corresponding burden on consolidated results. The personnel expense ratio – in relation to total operating revenue – amounted to 31.1 % compared with 28.8 %.

Depreciation and amortization amounted to EUR 7.1 million, slightly below the previous year’s level (2015: EUR 7.5 million).

Other operating expenses reduced significantly from EUR 56.7 million to EUR 46.0 million (–18.9 %). The main reason for this was the aforementioned decline in losses on currency differences from EUR 6.1 million in the previous year to EUR 2.0 million in the year under review. The positive net balance of currency effects consequently amounted to EUR 0.4 million, compared with EUR 0.9 million in the previous year. A further reason was the reduction in outgoing freight costs (connected with the lower level of sales revenue), sales commissions and travel expenses for staff as part of commissioning plant and machinery. This reflects an expense ratio (in relation to total operating revenue) of 13.4 % (previous year: 14.8 %).

Consolidated earnings before interest, tax, depreciation and amortization (EBITDA) reduced by EUR –7.9 million, or 24.3 %, to EUR 24.4 million (previous year: EUR 32.3 million).

For the 2016 financial 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 17.4 million (previous year: EUR 24.8 million, –29.9 %). Expenses for capacity adjustments in the Environmental Technology segment and the aforementioned hiring in the Industrial Automation segment exerted an effect in this context. It should also be noted that in the previous year the Group benefited from a mix of products and projects that was beneficial from profitability aspects. The EBIT margin – in relation to total operating revenue – amounted to 5.1 % in 2016 compared with 6.5 % in the previous year. EBIT per share before PPA amortization stood at EUR 0.65, compared with EUR 0.92 in 2015.

PPA amortization of EUR 5.0 million was slightly above the previous year's level (2015: EUR 4.8 million). It arises mainly from the acquisition of ELWEMA Automotive GmbH and MA micro automation GmbH at the end of 2013, as well as the acquisition of iNDAT Robotics GmbH in February 2015. It also includes early impairment losses applied to technologies in the Environmental Technology segment that are no longer marketable.

Consolidated earnings before interest and tax (EBIT) after applying amortization from PPA stood at EUR 12.4 million (previous year: EUR 19.9 million; -37.8 %).

The net interest result improved from EUR -3.6 million to EUR -2.8 million (-22.0 %). The reorganization of Group financing that was implemented in 2015 exerted a positive effect in this context, as planned.

Consolidated earnings before tax (EBIT) amounted to EUR 9.5 million in the reporting year, compared with EUR 16.3 million in the previous year (-41.3 %).

The expense from income taxes reduced significantly, from EUR 5.7 million in the previous year to EUR 1.2 million. The low tax expense was due to the release of deferred tax liabilities relating goodwill. Deferred tax liabilities in an amount of TEUR 6,084 have been attributable to the goodwill to date. These relate to goodwill from acquiring interests in unincorporated firms. On the acquisition date, the goodwill was recognized in both the tax accounts as well as on the consolidated balance sheet. The goodwill in the tax accounts is amortized. Deferred tax liabilities were recognized in relation to the difference. The unincorporated firms have meanwhile been converted into incorporated firms. The tax arrears periods pursuant to the German Corporate Conversion Tax Act (UmwStG) have now expired. For this reason, income taxes are now only incurred if an asset deal occurs. In the case of a share deal, only a small proportion of the profit is to be taxed. In the case of some of the companies whose corporate form was changed, the decision was made that no asset deal should occur if possible. The deferred taxes on this (TEUR 2,395) consequently increased profit as reported in profit or loss.

The Group reports EUR 8.3 million of net income for the 2016 (2015: EUR 10.6 million; -21.2 %). This is equivalent to EUR 0.31 of earnings per share, after EUR 0.40 in the previous year.

2.7. Net assets

The MAX Automation Group reported total assets of EUR 306.3 million as of the December 31, 2016 balance sheet date, EUR 23.1 million, or 8.2 %, above the level on the previous year's same reporting date (December 31, 2015: EUR 283.2 million).

Non-current assets decreased by 6.2 % to EUR 110.2 million (December 31, 2015: EUR 117.5 million). Here, the intangible assets item reduced by 4.8 % to EUR 68.5 million especially due to amortization and accelerated PPA impairment losses (December 31, 2015: EUR 72.0 million). The investment property item decreased to EUR 1.4 million (December 31, 2015: EUR 4.0 million), mainly due to the disposal of land and buildings of the former BTD operations of altmayerBTd GmbH & Co. KG. Deferred tax assets reduced by 9.1 % to EUR 6.0 million (December 31, 2015: EUR 6.6 million).

Current assets grew in total by 18.4 % to EUR 196.2 million (December 31, 2015: EUR 165.7 million). Trade receivables reported a marked increase of 21.5 % to EUR 121.2 million (December 31, 2015: EUR 99.8 million),

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in part due to a lower percentage level of advance payments for orders received. Liquid assets of EUR 23.0 million were 7.8 % above the level on the previous year's reporting date (December 31, 2015: EUR 21.4 million).

Working capital rose to EUR 100.7 million in the context of pre-financing the operating business due to the sharp increase in new order intake (December 31, 2015: EUR 85.1 million; +18.3 %).

2.8. Financial position

The equity of the MAX Automation Group amounted to EUR 111.3 million as of December 31, 2016, 4.1 % more than as of the previous year's same reporting date (December 31, 2015: EUR 106.9 million). The equity ratio reached 36.3 %, well above the targeted 30 % minimum (December 31, 2015: 37.7 %).

Non-current liabilities amounted to EUR 81.8 million (December 31, 2015: EUR 72.2 million; +13.2 %). Here, non-current bank borrowings, which include the syndicated loan drawn down by MAX Automation AG, increased from EUR 48.7 million to EUR 64.1 million. The higher funding requirement arises from financing the Group companies' operating business as a consequence of the dynamic new order intake. Other non-current financial liabilities decreased from EUR 3.6 million to EUR 2.2 million, including due to the still expected current liability from the purchase price payment for iNDAT Robotics. Deferred tax liabilities amounted to EUR 13.2 million, compared with EUR 17.3 million as of December 31, 2015.

Current liabilities increased by a total of 8.8 % to EUR 113.3 million (December 31, 2015: EUR 104.1 million). Trade payables rose from EUR 54.3 million to EUR 61.8 million (+13.7 %) reflecting a higher level of preliminary work performed by suppliers for construction contracts that have been started. Current bank borrowings more than doubled to EUR 28.8 million as a consequence of the pre-financing of projects (December 31, 2015: EUR 12.3 million). Current financial liabilities fell by 42.8 % to EUR 12.3 million (December 31, 2015: EUR 21.4 million), including due to a reduction in liabilities arising from monies held in trust and purchase price liabilities rendered deriving from the acquisition of iNDAT Robotics. Tax provisions diminished by 72.8 % to EUR 2.0 million (December 31, 2015: EUR 7.4 million), as a consequence of payments for the successful 2014 and 2015 financial years.

Gross debt (current non-current bank borrowings) amounted to EUR 92.9 million as of December 31, 2016 (December 31, 2015: EUR 61.1 million; +52.0 %).

Net debt reached a level of EUR 69.9 million as of the end of the reporting year (December 31, 2015: EUR 39.7 million; +76.0 %). This increase arises mainly from pre-financing the operating business and the repayment of the aforementioned monies held in trust. This item also includes the purchase price position from earnout components as part of the acquisition of iNDAT Robotics GmbH, tax arrears for the successful 2014 and 2015 financial years, and the dividend payout for the 2015 financial year.

2.9. Liquidity trends

In 2016, the MAX Group reports a cash outflow from operating activities of EUR 15.9 million, compared with a cash inflow of EUR 34.2 million in the previous year. This cash outflow arises mainly from pre-financing current projects.

Investing activities generated a EUR 9.0 million cash outflow (previous year: EUR 15.8 million). Of this, EUR 9.0 million is attributable to investments in non-current assets. This was offset by EUR 1.3 million of inflows from disposals, mainly of property, plant and equipment. The acquisition of iNDAT Robotics GmbH incurred a cash outflow of EUR 1.5 million, compared with EUR 7.5 million in the previous year.

The cash inflow from financing activities stood at EUR 26.4 million (prior-year cash outflow: EUR 49.8 million), mainly due to greater utilization of the syndicated loan.

The total cash flows generated cash and cash equivalents of EUR 23.0 million as of the end of the 2016 reporting period, compared with EUR 21.4 million at the start of the reporting period.

2.10. Segment reporting

Through its specialized Group companies, MAX Automation AG serves demand for components and systems solutions for efficient, flexible and interlinked automation in industrial manufacturing in various sectors.

In the Industrial Automation segment, the products of the MAX Automation companies enable particularly efficient and precise production processes to be realized for its customers, from key sectors such as the automotive industry, medical technology, electronics and packaging automation. The Group companies act as reliable and expert partners for their customers, and with their solutions enable them to constantly adapt their products to changing market requirements and optimize their production. The subsidiaries render various services in this context, such as developing and producing comprehensive assembly plants, including integrating robotics solutions, creating control software and a range of maintenance solutions.

In the Environmental Technology segment, the Vecoplan Group with its subsidiaries deploy their special expertise to develop machines and systems that contribute to the sustainable utilization of finite raw materials. This 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

The Industrial Automation segment recorded a pleasing new order intake in 2016 and reached a new record level in terms of order book position at the end of the reporting year. High demand for comprehensive automation solutions and related services derived particularly from the automotive industry. The Group companies succeeded in this context in expanding business relationships with existing customers and acquiring new customers.

Along with operative further development, the segment companies also focus on further optimizing corporate structures and internal processes. Particular importance was ascribed in this context to the joint utilization of service locations and collaboration on specific projects in terms of know-how transfer.

Group company bdtronic pushed ahead with its capacity expansion in 2016. It expanded the manufacturing space at its main site in Weikersheim with the construction of a production hall along with an administrative building. Building works had already started in the previous year.

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Industrial Automation segment key figures

The Industrial Automation segment grew its consolidated new order intake by EUR 64.3 million, or 27.2 %, to EUR 300.7 million in the 2016 financial year (previous year: EUR 236.3 million).

The order book position in the Industrial Automation segment reached a record level, amounting to a high level of EUR 164.1 million as of December 31, 2016, a marked increase of 59.2 % compared with the previous year's level (December 31, 2015: EUR 103.1 million). The segment's book-to-bill ratio improved considerably to 1.25 as of December 31, 2016 (December 31, 2015: 0.94).

The expected sales revenues could not be fully achieved in the reporting year, however. Delays to the awarding of orders, which could not be fully recognized as sales revenue as a consequence, were the main reason for this. The volatility that is typical of the project business exerted an effect in this context. In addition, fewer orders were invoiced in the final quarter of 2016 compared with the previous year. Segment revenue reduced by EUR 12.4 million, or 4.9 %, to EUR 239.8 million in 2016, compared with EUR 252.2 million in the previous year. Of the segment revenue, 62.3 % was attributable to exports, compared with 52.2 % in the previous year (10.1 percentage points).

EBITDA stood at EUR 21.5 million, down 28.8 % year-on-year (2015: EUR 30.1 million).

Segment operating earnings before interest and tax (EBIT) as well as before PPA amortization diminished by 36.2 % to EUR 16.8 million (previous year: EUR 26.4 million). This was mainly due to lower segment capacity utilization at times due to delays in the awarding of orders. The hiring that had occurred due to the sharp increase in business volume also burdened results. It should also be noted that in the previous year the segment benefited from a beneficial mix of products and projects. Overall, the reduction in revenue led to a lower level of fixed cost depression with corresponding effect on results. The EBIT margin – in relation to total operating revenue – amounted to 6.8 % (previous year: 10.5 %).

Segment earnings after PPA amortization amounted to EUR 12.8 million (previous year: EUR 22.1 million; –42.1 %).

The number of employees in the Industrial Automation segment stood at 1,131 individuals on a year-average basis in 2016 (excluding trainees). The segment employed an average of 1,046 staff in the previous year (+8.1 %).

Industrial Automation segment key figures

	2016 EUR mill.	2015 EUR mill.	Change in %
New order intake	300.7	236.3	27.2
Order book position ¹	164.1	103.1	59.2
Segment revenue	239.8	252.2	–4.9
– of which from abroad	149.4	131.4	13.7
EBITDA	21.5	30.1	–28.8
Segment EBIT before PPA amortization	16.8	26.4	–36.2
Segment EBIT after PPA amortization	12.8	22.1	–42.1
Employees (numbers) ²	1,131	1,046	8.1

¹ As of December 31

² Annual average excluding trainees

2.10.2. Environmental Technology

The Environmental Technology segment, which comprises the Vecoplan Group and its subsidiaries, recorded an unsatisfactory course of business in 2016, reflecting market conditions. The main reason for this was lower than expected demand in the recycling and waste areas, especially in the USA due to the continued low oil price. Customers' reticence to award orders nevertheless eased during the fourth quarter of 2016, leading to new order intake above expectations, although this was insufficient to offset moderate demand especially in the second and third quarters.

Measures were launched in the reporting year to counter market effects, especially by adapting capacities to market conditions. A good setup was consequently created for a successful trend during the current 2017 year, allowing appropriate results to be generated again from a lower sales revenue base. These measures were connected with one-off expenses.

Environmental Technology segment key figures

The Environmental Technology segment recorded EUR 95.0 million of consolidated new order intake in the 2016 financial year, 25.4 % less than in the previous year (2015: EUR 127.4 million). Here it should be noted that the previous year's comparable figures still included the contribution from Group company altmayerBTD, which was sold in December 2015. The order book position amounted to EUR 29.7 million as of December 31, 2016, thereby EUR 2.3 million, or 7.3 %, below the level on the previous year's reporting date (December 31, 2015: EUR 32.1 million). The book-to-bill ratio stood at 0.98 on December 31, 2016 (December 31, 2015: 0.96).

Segment revenue reduced by 26.3 % to EUR 97.4 million (previous year: EUR 132.2 million). The export share stood at 87.8 % (2015: 79.8 %). Segment revenue was down by 15.6 % after adjusting for the revenue contribution of the company altmayerBTD, which was sold in December 2015.

EBITDA fell by 18.2 %, from EUR 5.0 million to EUR 4.1 million.

Segment operating earnings before interest and tax (EBIT), and before PPA amortization, amounted to EUR 1.8 million, compared with EUR 1.5 million in 2015 (+18.7 %). The previous year's fourth quarter included expenses connected with terminating the business operations of altmayerBTD. One-off expenses of EUR 1.2 million for the aforementioned capacity adjustments are also to be noted. The EBIT margin – in relation to total operating revenue – rose to 1.9 % (previous year: 1.1 %; +0.8 percentage points).

Segment EBIT after PPA amortization amounted to EUR 1.3 million (previous year: EUR 1.1 million). This includes an early impairment loss applied to technologies in the Waste area.

In its Environmental Technology segment, the MAX Automation Group employed an average of 412 staff in 2016 (excluding trainees), 99 individuals fewer than in the previous year (511 staff). This difference arises from the disposal of altmayerBTD GmbH in December 2015 as well as from the aforementioned capacity adjustments due to the reduced business volume at the Vecoplan Group.

Environmental Technology segment key figures

	2016 EUR mill.	2015 EUR mill.	Change in %
New order intake	95.0	127.4	-25.4
Order book position ¹	29.7	32.1	-7.3
Segment revenue	97.4	132.2	-26.3
– of which from abroad	85.5	105.4	-18.9
EBITDA	4.1	5.0	-18.2
Segment EBIT before PPA amortization	1.8	1.5	18.7
Segment EBIT after PPA amortization	1.3	1.1	10.8
Employees (numbers) ²	411	510	-19.4

¹ As of December 31

² Annual average excluding trainees

2.11. Change in financial performance indicators

In 2016, 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	395.7	363.7	8.8
Order book position ¹	193.8	135.2	43.4
Working capital	100.7	85.1	18.3
Revenue	337.1	384.0	-12.2
EBITDA	24.4	32.3	-24.3
EBIT before PPA amortization	17.4	24.8	-29.9
EBIT after PPA amortization	12.4	19.9	-37.8
Return on sales (as % of total operating revenue, before PPA amortization)	5.1 %	6.5 %	-1.4 (% points)
Equity ratio (in %)	36.3 %	37.7 %	-1.4 (% points)
Workforce headcount	1,751	1,711	2.3
– of whom trainees	139	149	-6.7
Workforce headcount (weighted average)	1,677	1,705	-1.6
– of whom trainees	128	144	-11

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. MAX Automation AG

The separate annual financial statements of MAX Automation AG were prepared according to the regulations of the German Commercial Code (HGB) in the version of the German Accounting Guidelines Implementation Act (BilRUG). 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.

Due to the amendments following the introduction of the BilRUG, sales revenue generated with affiliated companies is no longer reported under other operating income, but instead under sales revenue.

3.1. Results of operations and application of earnings

The results of operations of MAX Automation AG depend to a high degree on the trend in its subsidiaries' earnings. Control and profit transfer agreements were concluded in 2008 with four Industrial Automation subsidiaries. The profit transfer agreement with Mess- und Regeltechnik Jücker GmbH was terminated with effect as of December 31, 2016. Dividend payments from other subsidiaries to the parent company are realized depending on their results, and take the subsidiaries' future investment requirements into account.

With an agreement dated June 30, 2016, BTD Behältertechnik Dettenhausen Verwaltungs GmbH, a wholly owned subsidiary of MAX Automation AG, was merged with MAX Automation AG retrospectively as of December 30, 2015. As BTD Behältertechnik Dettenhausen Verwaltungs GmbH was general partner of altmayerBTD GmbH & Co. KG, a merge in accordance with the German Commercial Code (HGB), with the sole limited partner, MAX Automation AG, with the entry of the merger in the commercial register as of August 31, 2016.

Section 2.10 describes the trends in the subsidiaries' results of operations.

In the 2016 financial year, MAX Automation AG reports EUR 16.0 million of income from participating interests (previous year: EUR 18.4 million), arising from the subsidiaries' profit transfers.

Revenues generated with affiliated companies, which mainly include costs transferred within the Group, amounted to EUR 0.6 million, as in the previous year.

Other operating income includes a EUR 2.2 million (in the Group according to IFRS: 1,7 Mio. Euro) gain on the sale of part of an operating property in Dettenhausen.

Other operating expenses include the EUR 4.3 million loss incurred on the merger of altmayerBTD GmbH & Co. KG. The net interest result improved year-on-year from EUR -0.7 million to EUR -0.03 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 10.9 million, compared with EUR 11.7 million in the previous year. The tax expense amounts to EUR 2.8 million (previous year: EUR 2.9 million).

Net income for the year stands at EUR 8.1 million (previous year: EUR 8.8 million). An amount of EUR 4.0 million was paid out in dividends from the previous year's unappropriated retained earnings.

The Management and Supervisory boards propose distributing a dividend of 0.15 euro cents per share for the 2016 financial year from the unappropriated retained earnings.

3.2. Net assets and financial position

The total assets of MAX Automation AG amounted to EUR 173.8 million on the December 31, 2016 balance sheet date. This corresponds to an increase of EUR 28.0 million compared with the previous year's reporting date (EUR 145.8 million), which arises from the greater utilization of the syndicated loan due to pre-financing higher business volumes at the Group companies.

Property, plant and equipment increased by EUR 0.9 million due to the addition of the plot of land due to merging altmayerBTD GmbH & Co. KG.

Receivables another assets rose from EUR 47.2 million to EUR 81.4 million. This includes EUR 57.8 million from receivables due from subsidiaries deriving from the syndicated loan (previous year: EUR 27.8 million). It also includes a purchase price receivable of EUR 4.3 million arising from the sale of part of the plot of land in Dettenhausen. Liquid assets reduced to EUR 2.9 million, compared with EUR 3.8 million in the previous year.

MAX Automation AG reports EUR 91.5 million of equity as of December 31, 2016 (previous year: EUR 87.5 million). The equity ratio stood at 52.7 % (December 31, 2015: 60.0 %).

Bank borrowings increased to EUR 74.5 million, compared with EUR 43.0 million as of December 31, 2015, due to the aforementioned greater utilization of the syndicated loan.

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

4. Investments

The MAX Group invested EUR 8.8 million in non-current assets in the 2016 financial year, compared with EUR 21.3 million in 2015. Investments in the year under review related mainly to buildings, IT and the development of technologies and products.

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

5. Personnel report

As in previous years, in 2016 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 1,548 staff, including trainees, as of the December 31, 2016 reporting date (December 31, 2015: 1,582 staff; -2.1 %). The average number of employees, including trainees, increased by 28 individuals, or 1.6 %, from 1,705 to 1,677. In this context, hiring in the Industrial Automation segment was offset by a reduction in personnel in the Environmental Technology segment due to the disposal of altmayer-BTD in December 2015, as well as the capacity adjustment due to the reduced business volume.

Employees of the Group companies and of the holding company represent an essential 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 this reason, the human resources area was also integrated into the holding company's operations in the year under review. The Groupwide personnel policy comprises high training standards, as well as the promotion and long-term loyalization of committed employees. MAX Automation also took the greater need for qualified engineers and software development into account.

6. Environmental protection

The MAX Automation Group and its subsidiaries regard protecting the environment and resource conservation as important elements of their corporate culture. For this reason, the companies set particular store by ensuring that all statutory environmental protection regulations are complied with in full on the markets where they operate.

The company is also constantly further developing its in-house standards for environmental protection, including waste avoidance and removal, emission protection, noise avoidance and resource conservation, for example.

As in previous years, the MAX Automation Group continued in 2016 to place a special focus on responsible and sparing resource utilization. The Group's operating activities resulted in no extraordinary burdens for the environment in the year under review.

7. Events after the reporting date

7.1. MAX Automation AG complete investment in ESSERT GmbH

In January 2017, MAX Automation AG completed its investment in ESSERT GmbH, a company based in Ub-stadt-Weiher near Karlsruhe in Baden-Württemberg, and issued a related press release on January 10, 2017. With its investment in ESSERT, MAX Automation is significantly expanding its expertise in developing software for Industry 4.0 applications as well as in collaborative robotics (see section 2.3: Particular events during the financial year).

7.2. MAX Group expands presence in North America

On February 15, 2017, MAX Automation AG reported that with MAX Automation North America Inc. it has opened a location in Atlanta, the capital of the US state of Georgia. This company serves as a business hub for several MAX Automation Group companies in the Industrial Automation segment and employ staff in the service, commissioning, assembly and sales areas. From the Atlanta base, the Group companies particularly serve customers in the Midwest in the automotive and medical technology sectors. MAX Automation North America Inc. is expanding its network of sites on the North American continent. This comprises the Group companies' branch operations in South Carolina, Oklahoma and Mexico.

8. Disclosures pursuant to Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB) (Also: Explanatory Report of the Management Board pursuant to Section 176 (1) Clause 1 of the German Stock Corporation Act [AktG])

Pursuant to Section 315 (4) 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. The disclosures relate to the implementation of Regulation 2004/25 EC of the European Parliament and Council of April 21, 2004, concerning takeover offers.

Companies whose voting-right-entitled equities are listed on an organized market in 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 176 (1) Clause 1 of the German Stock Corporation Act (AktG), the Management Board is also obligated to present an explanatory report relating to the disclosures to the Shareholders' General Meeting. The disclosures pursuant to Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB) are summarized below together with the related explanations pursuant to Section 176 (1) Clause 1 of the German Stock Corporation Act (AktG).

a) Composition of subscribed share capital

The subscribed capital of MAX Automation AG of EUR 26,794,415 is composed of 26,794,415 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 classes of equity 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 AG is listed on the stock market. As of April 1, 2015, the share of MAX Automation AG 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.

b) Voting right and transfer restrictions

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

c) Shareholdings exceeding 10 % of equity

According to the knowledge of the Management Board, and on the basis of disclosures submitted to the company in accordance with securities trading law and securities takeover law, one direct or indirect investment in the issued share capital of MAX Automation AG exists that exceeds 10 % of the voting rights. This relates to Orpheus Capital II GmbH & Co. KG, which directly holds 31.44 % of the shares in MAX Automation AG (status as of January 8, 2016). The voting rights are to be attributed to Mr. Oliver Jaster via Günther GmbH, Bamberg, Günther Holding GmbH, 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

No shares exist with special rights granting authorizations of control.

e) Voting right controls in the case of employee participation

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

f) Nomination and recall from office of Management Board members, and changes to the articles of incorporation

The Management Board of MAX Automation AG consists of one or several persons, irrespective of the level of share capital. Pursuant to the articles of incorporation, the Supervisory Board determines the number of Management Board members. Management Board members are nominated and recalled pursuant to the statutory provisions of Sections 84 and 85 of the German Stock Corporation Act (AktG). With the exception of the court nomination of replacements, the Supervisory Board has sole responsibility for the nomination and recall of Management Board members.

It appoints Management Board members for a maximum period of five years. Repeated appointments or extensions of periods of office are permitted, in each case for a maximum of five years. The Supervisory Board is permitted to appoint a chairperson and a deputy chairperson of the Management Board.

In keeping with the regulations 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.

By way of divergence from Section 179 (2) of the German Stock Corporation Act (AktG) and pursuant to Section 17 (1) of the articles of incorporation, amendments to the articles of incorporation of MAX Automation AG require a resolution of the Annual General Meeting with solely a simple majority of votes, to the extent that neither statutory requirements nor the articles of incorporation prescribe otherwise. If the entire share capital is not represented at the AGM, 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 Supervisory Board is authorized to make amendments to the articles of incorporation that relate solely to wording. In all other matters, the statutory provisions of Sections 179 and 133 of the German Stock Corporation Act (AktG) apply.

g) Authorizations of the Management Board to issue shares and profit-sharing rights

Pursuant to Section 5 (6) of the articles of incorporation in the version dated August 26, 2016, the Management Board is authorized, with Supervisory Board assent, 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

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meaning of Section 186 (5) Clause 1 of the German Stock Corporation Act (AktG) are satisfactory. The Management Board is nevertheless authorized, with Supervisory Board assent, to exclude fractional amounts from shareholders' subscription rights. The Management Board is also authorized, with Supervisory Board assent, 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 Supervisory 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.

Pursuant to Section 5 (7) of the articles of incorporation in the version dated August 26, 2016, the Management Board is authorized, with Supervisory Board assent, 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 2,665,000.00 against cash or non-cash capital contributions through issuing new ordinary registered shares (with voting rights) (Approved Capital II). Shareholders' statutory subscription rights can be satisfied by indirect subscription rights in the meaning of Section 186 (5) Clause 1 of the German Stock Corporation Act (AktG) The Management Board is additionally authorized, with Supervisory Board approval, to exclude statutory shareholder subscription rights in the following instances:

- for fractional amounts;
- if the capital increase occurs against cash capital contributions, and the total proportional amount of the share capital attributable to the new shares for which subscription rights are excluded does not exceed either 10 % of the share capital existing as of June 30, 2015, nor 10 % of the share capital on the date of the registration of the authorization, nor 10 % of the share capital existing on the date when the company's new shares are issued, and the issue amount of the new shares is not significantly less in the meaning of Sections 203 (1) and (2), 186 (3) Clause 4 of the German Stock Corporation Act (AktG) than the stock market price of the already listed shares; in calculating the 10 % limit, the proportional amount of the share capital is to be deducted that is attributable to the new or repurchased shares that are issued or sold since June 30, 2015 under simplified exclusion of subscription rights pursuant, or corresponding, to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), as well as the proportional amount of the share capital to which conversion or option rights or obligations arising from bonds relate, which have been issued since June 30, 2015 in analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG);
- in the case of capital increases against non-cash capital contributions, in order to grant shares as part of mergers with other companies or the acquisition of companies, parts of companies, or interests in companies, or other assets that can comprise capital contributions.

The Management Board is also authorized, with Supervisory Board assent, 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 II. The Supervisory 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 II, or after the expiry the authorization period, in accordance with the scope of the capital increase from Approved Capital II. The company has not utilized these authorizations to date.

h) Key company agreements with change-of-control clauses

MAX Automation AG is currently involved as a borrower in a syndicated loan facility where a change of control would require the owed amounts to be repaid. A change of control presupposes that an individual or group of individuals acting jointly directly or indirectly acquires 50 % of the shares of voting rights in MAX Automation AG; 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 Management Board members or employees entailing the payment of compensation in the instance of a takeover offer.

9. Corporate governance statement (Section 289a of the German Commercial Code (HGB))

In March 2017, the Management Board issued the corporate governance statement required pursuant to Section 289a of the German Commercial Code (HGB) and made it available on the Internet at the link www.maxautomation.de/investor-relations/corporate-governance/download-dokumente/. The company has also published a corporate governance report in connection with the corporate governance statement. The corporate governance report is included within the 2016 Annual Report.

10. Report on board members' compensation

10.1. Remuneration of the Supervisory Board

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

This resulted in the following compensation for the 2016 financial year for the individual Supervisory Board members:

TEUR	Basic compensation	Consultancy services	Total
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 above table also includes TEUR 24 of compensation for Mr. Lerch for his Supervisory Board mandate at Vecoplan AG.

The Supervisory Board members did not receive any loans or advances in the 2016 financial year.

10.2. Remuneration of the Management Board

The compensation scheme at MAX or Automation AG 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 Management Board's total compensation comprises fixed and performance-related components. The targets the Supervisory 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 Management Board 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 as a result 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"). The STIP and LTIP are granted annually.

Payment of the STIP is tied to achieving financial performance targets relating to the respective financial year. The Supervisory 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 Supervisory Board took into consideration the Management Board members' 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 Supervisory 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 Supervisory 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, as with the STIP, the Supervisory Board took into consideration the Management Board members' 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 2016 financial year comprise the 2016 to 2019 financial years.

None of the Management Board members or staff have been granted stock options or similar securities-based incentive schemes.

In the case of early termination of a Management Board contract, the Management Board members 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 Management Board contracts. Entitlements to such severance payments do not exist if the company is entitled to terminate a contract with good justification, or if the Management board members stepped down from office without a good justification for which the company is responsible. The Management Board service contracts do not include any commitments especially for the case of early termination of Management Board activity due to a change of control.

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

The following amounts were granted to the Management Board of MAX Automation AG in the 2016 financial year:

TEUR	Daniel Fink CEO assumed office 01/04/2016			
	2015	2016	2016 (min)	2016 (max)
Fixed compensation	0	240	240	240
Ancillary benefits	0	24	24	24
Total	0	264	264	264
One-year variable compensation (STIP)	0	0	0	236
Multi-year variable compensation (LTIP)	0	0	0	174
Total	0	264	264	674
Pension expense	0	0	0	0
Total compensation	0	264	264	674

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

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TEUR	Fabian Spilker CFO			
	2015	2016	2016 (min)	2016 (max)
Fixed compensation	170	220	220	220
Ancillary benefits	24	21	21	21
Total	194	241	241	241
One-year variable compensation (STIP)	199	0	0	210
Multi-year variable compensation (LTIP)	0	0	0	150
Total	393	241	241	601
Pension expense	0	0	0	0
Total compensation	393	241	241	601

* Ancillary benefits particularly included private company car use and insurance contributions.

The following amounts and figure were granted to the individual members of the Management Board of MAX Automation AG in the 2016 financial year:

TEUR	Daniel Fink CEO assumed office 01/04/2016		Fabian Spilker CFO	
	2015	2016	2015	2016
Fixed compensation	0	240	170	220
Ancillary benefits	0	24	24	21
Total	0	264	194	241
One-year variable compensation (STIP)	0	0	200	159
Multi-year variable compensation (LTIP)	0	0	0	0
Total	0	264	394	400
Pension expense	0	0	0	0
Total compensation	0	264	394	400

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

The Management Board members did not receive any loans or advances in the 2016 financial year.

Former Management Board members or their dependents did not receive any payments in the 2016 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 AG 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. Its basic structure remained unchanged in the 2016 reporting year.

Targets and principles

Risk management 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 can be mainly through the organizational units that are operative 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 greatest possible 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.

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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 managers 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 Management and Supervisory boards.

The Management and Supervisory boards 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 Management Board. It has 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 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.
- The Management Board also conducts 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 strategic corporate planning represents a key component of the RMS. As part of this, the managing directors and board members 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 strategic 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 auditor, Ebner Stolz GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hannover, examined the system as part of the audit of the consolidated financial statements.
- The Supervisory Board conducts frequent consultations on matters relating to the RMS.

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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 6.7 million at the end of 2016 (previous year: EUR 7.7 million). This includes the net risk potentials of 52 (previous year: 51) quantifiable individual risks. A total of 184 (previous year: 192) unquantifiable individual risks also existed. 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 (estimated by the Management Board)	Event risk	Potential financial effect	2016 risk position com- pared with previous year
Strategic risks	low	minor	unchanged
Market and economic risks	possible	significant	unchanged
Risks from operating activities, project risks	possible	significant	better
Financial and tax risks	possible	minor	better
Legal risks	low	minor	unchanged
Risks from interests held in companies	low	significant	unchanged
Other risks (e.g. IT, personnel, environment)	high	moderat	unchanged

Scope of potential financial effect on consolidated net result or consolidated EBIT: minor (< TEUR 400), moderate (TEUR 400 to EUR 1.3 million), significant (> 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, erroneous technical estimates are utilized for major projects, delays occur, 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. To these are added 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 the diversification in other sectors such as medical technology. Economic risk cannot be excluded, as a matter of principle, however.

The MAX Automation Group has a high order book position totaling EUR 194 million as of December 31, 2016 (previous year: EUR 135 million), which gives sufficient time to implement countermeasures in the case of market and economic risks.

- **Risks from operating activities, project risks:** Due to project volumes, MAX Automation identifies a potential risk lying in the progress of individual customers' business. MAX Automation counters such risk by reviewing customer creditworthiness, especially that of new customers, and agreeing prepayments. In the past, MAX Automation has sometimes insured major individual risk, including individually.
- **Financial risks:** As the 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. The covenants agreed with the Groups' 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 2016, 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.

Given some Western countries' high level of indebtedness and the continued poor condition of banks' balance sheets, however, it cannot be excluded that more restrictive bank lending policies might narrow the Group's financing options, or entail higher borrowing costs. Liquidity risks may arise from the inability to satisfy payment obligations on a timely basis. As a rule, such risks are normally associated with negative developments in the operating business. The Management Board currently identifies no indications of such a trend, however.

- **Tax risks:** Pursuant to Section 8c of the German Corporation Tax Act (KStG), direct or indirect acquisitions of more than 25 % of the shares or voting rights in a corporation by an acquirer result, as a matter of principle, in the proportionate transfer of unutilized loss carry forwards (so-called "detrimental acquisition investment").

The legislator weakened this regulation's broad application scope through introducing the "hidden reserves clause" with the Growth Acceleration Act (dated December 22, 2009, BGBl. I 2009, page 3950). According to this clause, the corporation can deduct unutilized losses to the level of existing hidden reserves of domestic foreign assets as of the date of the detrimental acquisition investment.

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The tax authorities responded to queries on April 15, 2014 in a draft of a German Federal Ministry of Finance (BMF) circular relating to "Application of Section 8c of the German Corporation Tax Act taking into account the group clause in the version of the Growth Acceleration Act, and the hidden reserves clause in the version of the 2010 Annual Tax Act". This draft has encountered great criticism, especially of the group clause and the hidden reserves clause. Due to the tax authorities' somewhat pro-fiscal opinion, the risk exists at MAX Automation of a proportionate transfer of trade tax loss carryforwards.

MAX Automation in coordination with its advisers assumes that the draft will not be retained as far as these aspects are concerned.

- **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 was hampered by the very low and 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 exclude especially 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.

Besides the risks mentioned in the risk report, no further identifiable risks exist, either individually or in combination, that might jeopardize the MAX Automation Group and MAX Automation as going concerns.

As part of auditing the 2016 annual financial statements, the auditor examined the risk management system of the parent company and the Group. It arrived at the conclusion that the system is appropriate to comply with statutory risk management requirements.

Explanatory report of the MAX Automation AG Management Board concerning disclosures pursuant to Section 315 (2) No. 5 and Section 289 (5) of the German Commercial Code (HGB)

Subject 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 AG with respect to the (Group) financial accounting process are listed 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 AG ensures that accounting at MAX Automation AG 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 with its Group companies operates on international markets in various sectors, especially including the areas of automotive, electronics, medical technology and packaging, as well as the recycling, energy and raw materials industries.

These areas are characterized by dynamic technological development as well as changes at political and social level, and consequently represent growth drivers for the Group. The MAX Automation Group's strategic positioning opens up numerous opportunities in 2017 and subsequent years that can affect business progress positively.

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MAX Automation pursues its medium-term “Strategy 2021” in this context. This strategy aims mainly at focusing the Group on 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. To this end, the Management Board engages in a strategic dialog with the subsidiaries’ managing directors, combining a structured and Group-wide standardized process where at least three times a year all Group companies systematically prepare and discuss strategies with the Management Board, 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 Management Board of MAX Automation 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

In light of its “Strategy 2021”, MAX Automation has aligned its activities in its Industrial Automation segment into four strategic business areas: Mobility Automation, Life Science Automation, Process Technologies and New Automation Technologies.

In its Industrial Automation segment, the MAX Automation Group anticipates significant growth opportunities according to the aforementioned strategic business areas:

- **Mobility Automation:** The degree of automation and the efficiency requirements made of industrial manufacturing are increasing continuously. A number of factors are setting this automotive sector trend. One such trend relates to ever more efficient driver assistance systems and, finally, autonomous driving. Numerous large vehicle manufacturers have announced that they aim to make self-driving cars available by 2021, for example. Consumers also increasingly wish to have personalized vehicles. This move relates to a wide selection of vehicle models with individually configurable equipment and innovations in terms of drive characteristics, comfort and vehicle safety. Given more stringent legislation and consumers’ growing environmental awareness, the automotive industry is also endeavoring to sustainably reduce modern engines’ fuel consumption and CO₂ emissions. In this connection, a trend also exists to sustainable vehicles, which is

reflected in demand for alternative drive types such as electro-mobility, as well as the targeted promotion of electric vehicles in several countries. Resources are consequently being established in the automotive industry to prepare for the anticipated demand for electro-mobility.

With its Group companies, MAX Automation is a specialist in securing and optimizing industrial manufacturing processes. As a reliable partner to their customers, they develop and produce solutions to structure processes so they are faster, more precise and more efficient. This concerns the manufacturing 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. They also possess extensive expertise in the production of electric drives. 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.

- **Process Technologies:** Automotive industry trends are leading to growing demand for highly precise and reliable solutions in the assembly of electronic systems.

MAX Automation Group companies are specialists in proprietary engineering processes and act as innovation leaders in individual areas. These include dosing and metering technology, heat staking, plasma treatment, impregnation technology, optoelectronic processes (micro-optics, referred to in brief as MEMS), semiconductor components and optical components for sensors. For example, the companies offer solutions to adhere and seal adaptive cruise controls in vehicles, or produce tiny optics modeled on insect eyes for cameras that monitor events outside and inside a vehicle. Such cameras can identify hazards, assist the driver, secure vehicles against theft, replace car keys with driver identification, and function as projectors of operator controls. The Group companies thereby enjoy significant opportunity to participate in and benefit from automotive industry trends.

- **Life Science Automation:** Several global trends characterize the medical technology sector, including medical progress, society's growing health awareness, individual treatment forms and the utilization of so-called digital e-health solutions, increasing demand for efficient and intelligent products, and patients' wishes for greater freedoms in therapy, such as self-medication. These trends are identifiable in industrialized nations as well as in emerging economies countries. In this context, the medical technology market possesses high barriers to entry in terms of technological, qualitative and regulatory requirements, and in terms of demanding and long-term collaboration with customers.

The MAX Automation Group possesses specialized expertise, a growing base of references, and the requisite technical validations to meet regulatory requirements. The Group of companies thereby enjoy the opportunity to participate in the sector's long-term growth, tap new customer relationships and surmount barriers to market entry.

- **New Automation Technologies:** Connectivity in industrial manufacturing is registering dynamic growth. Under the banner of "Industry 4.0", plants and machines are being interlinked and optimized as a consequence. An important aspect in this context is the utilization of augmented reality solutions with the help of data goggles and corresponding software in the maintenance of plant and machinery, as well as training

staff in real-time and over long distances. An unabated trend also exists towards complex robotic solutions, which also undergo permanent further development. The greater utilization of lightweight design robots and collaborative robots that can enhance human performance are also contributing to a marked efficiency gain in manufacturing, for example.

MAX Automation with its Group companies possesses extensive knowledge and technologies to participate in future developments in Industry 4.0 and robotics. It is thereby able to accompany and help shape innovations in industrial production and consequently benefit from the high rate of technological development. It should also be noted that MAX Automation with its Group companies is increasing its installed base with the advancing sale of machines and systems, and thereby its potential in the service business. This is reflected in its competencies in the maintenance and remote maintenance business through utilizing data goggles and related software solutions.

Globalization also brings with it greater demand for manufacturing close to markets, and the local presence for service and sales. MAX Automation and its Group companies operate sites in Europe, North America and Asia, and are working on further expanding their network of locations, thereby ensuring comprehensive customer care.

In the **Environmental Technology segment**, the MAX Automation Group primarily sees important business opportunities in the following areas:

- **Climate and environmental protection:** Climate protection, natural resource conservation, and the recycling of waste materials for reintroduction into the material cycle as well as for energy utilization are constantly gaining significance worldwide. A sharpening of public environmental awareness as well as economic and social changes are driving this trend globally. Efficient and up-to-date waste recycling solutions are required particularly due to growing consumption in emerging economies such as China, Brazil and India, and significantly larger waste volumes in large cities and metropolitan areas.

The MAX Automation Group possesses many years of experience and extensive expertise in developing, producing and maintaining innovative individual components and systems solutions. As a consequence, the Group enjoys the opportunity of benefiting permanently from the growing significance of climate and environmental protection, and of operating as an innovation driver in this context.

- **More stringent environmental regulations:** Environmental protection and the processing of waste and recyclable materials are subject to policy regulation at regional, national and international level. In the European Union, for example, binding regulations exist to realize a marked reduction in carbon dioxide emissions to contain the so-called greenhouse effect. Further regulations relate to the recycling industry: Germany's Waste Management and Product Recycling Act requires the processing of 65 % of all municipal waste by 2020, for example. The German government is also pursuing a sustainability strategy where renewable energies' share is to rise to as high as 30 % by 2020, considerably boosting energy and raw materials productivity, in other words, the decoupling of energy consumption from economic output. Environmental initiatives exist in North America, too, including in the form of so-called zero waste programs for local authorities. Based on the aforementioned political regulations, the MAX Automation Group with its Group company

Vecoplan identifies rising demand long-term for efficient recycling solutions. Here it is pursuing the objective of further developing existing solutions in materials recycling, adapting them to address ever more complex challenges.

Opportunities arising from effects within the corporate Group

Along with growth drivers in both Group segments, Industrial Automation and Environmental Technology, the MAX Automation Group identifies significant opportunities in analyzing and exploiting synergies between the Group companies. These include 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.

In this context, MAX Automation has set itself the target of boosting value creation within the Group through targeted enhancement of relationships for the delivery of goods and rendering of services between the Group companies. In some situations, possibilities also exist to exploit sales synergies through project-based collaboration within the MAX Group.

Synergy and Group Association effects are to be expanded successively on a targeted basis.

13. Outlook

13.1. Macroeconomic environment

Global economic growth will gather momentum in 2017. The International Monetary Fund anticipates further year-on-year growth in both industrialized nations and emerging economies, although industrialized countries will report a slower growth rate. The IMF cites the new government in the USA as a significant influencing factor and the related change in economic and business policy. At the same time, it sees the path adopted by the new US administration as being connected with several uncertainties. For instance, the change in economic and business orientation could also entail disbenefits for emerging economies.

The IMF forecasts that the world economy will expand by 3.4 % in 2017 (2016: 3.1 %). It anticipates a slight growth slowdown in China to a level of 6.5 % (2016: 6.7 %). For the USA, the IMF forecasts 2.3 % economic growth (2016: 1.6 %).

The Eurozone economy is estimated to expand by 1.6 % in 2017, according to the IMF. The Kiel Institute for the World Economy (IfW) also assumes a positive economic trend in the Eurozone, partly driven by improved price competitiveness due to a weaker euro in relation to the US dollar.

Gross domestic product (GDP) in Germany is forecast to expand by 1.7 % in 2017, according to the IfW. As important influencing factors it cites private consumption and residential construction due to a continuation of favorable financing conditions. It is also expected that German exports will report considerable growth given good prospects in sales markets. The IMF sees a more moderate development and forecasts the German economy to grow by 1.5 % in 2017.

13.2. Trends in relevant sectors

The German mechanical and plant engineering sector is cautiously optimistic about its growth prospects in 2017. The sector association, the German Engineering Federation (VDMA), anticipates a slight increase in production of 1 % and sector sales growing by almost 2 % year-on-year to EUR 224 billion, for instance. In this context, it strikes a contrast between the expected positive trend in emerging economies and the Eurozone and economic uncertainties in the United Kingdom and the USA. Exports to China might also fall. The VDMA expectations are combined with political demands for less bureaucracy. In particular, it states that small and medium-size companies are burdened with costs due to numerous regulations, for which investments have been lacking.

The VDMA took a positive view of European Union (EU) efforts at the start of 2017 towards a European legal framework for data transmission. It believes the free exchange of data in the EU single market is an important precondition to develop Industry 4.0 solutions. The association nevertheless warns of excessively stringent policy regulations, including in relation to liability for losses, for example.

The International Federation of Robotics (IFR) forecasts good prospects for the robotics sector. For the 2017 to 2019 period, the federation assumes that the number of industrial robots deployed worldwide will grow by 13 % per annum. The number of robots would increase to 2.6 million units by 2019 as a consequence. Technology trends cited by the federation include human-machine collaboration, simplified applications, lightweight design robots, mobile solutions and easy integration of robots into existing manufacturing environments.

The German automotive industry takes an optimistic view of 2017. The German Automotive Industry Association (VDA) anticipates 2 % year-on-year growth in global new registrations to a level of 83.6 million vehicles. The Western European market and the US market will see new registrations at the previous year's level at 13.9 million and 17.1 million respectively. An increase of 5 % to 24.2 million new registrations is forecast for the Chinese market. Growth drivers should derive from Brazil and Russia: after their markets have fallen over recent years, the Russian market is expected to grow by 5 %, and the Brazilian market is anticipated to hold its previous year's level.

Medical technology association Spectaris forecasts a positive sector trend for 2017, with German companies reporting 3 % year-on-year sales growth. It especially sees sales growth being achieved abroad. It ascribes particular significance to the Asian and North American markets.

13.3. Prospective trends in the 2017 financial year

The Management Board of MAX Automation AG is generally optimistic for the Group's development and growth in the 2017 financial year and beyond. Based on the existing macroeconomic and sector-specific prospects and trends on relevant markets in industrial automation and environmental technology, it anticipates growing demand for the MAX Automation Group's hightech automation solutions.

Sources:

- International Monetary Fund, World Economic Outlook, January 16, 2017
- German Engineering Federation VDMA, press release, December 13, 2016

During the current year and in following years, the Management Board will further progress the – already advanced – transformation of MAX Automation into a decentralized high-tech industrial group. Special importance is given to the medium-term “Strategy 2021” in this context: according to this, the MAX Group will align itself to attractive growth markets to a greater extent, and organizational structures are also to be increasingly adapted to the Group companies’ growing international orientation. Furthermore, existing synergy potentials are to be exploited and the Group’s value creation is to be increased.

The respective focus areas in the individual operating segments are described below.

13.3.1. Industrial Automation

In 2017 and in following years, the Industrial Automation segment will concentrate 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 CO₂ emissions in engines and powertrains, and the trend to sustainable vehicles, especially electro-mobility.
- Process Technologies: Rising demand for proprietary engineering for individual processes in electronics, including dosing and metering technology, heat staking, plasma treatment, impregnation technology, optoelectronic processes (micro-optics, MEMS), semiconductor components, and optical components for sensors.
- Life Science Automation: Medical technology trend to both self-medication for patients and digitalization in the health area (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.

The Group companies in the Industrial Automation segment will continue to concentrate on high-quality automation solutions comprising not only the production of plant and equipment but also the development of software solutions to control, connect and analyze. The individual areas will exploit a number of growth drivers in this context, including the need to cut emissions in modern engines, the growing significance of sustainable mobility solutions, the development of ever more efficient plants and systems in the context of Industry 4.0, and a constant increase in health awareness in the population given demographic trends.

The Management Board plans to further expand the segment through efficiency enhancements in the Group companies’ organization, and the exploitation of synergies within the segment through the targeted expansion of competences in electronics and sensor technology, for example, as well as through greater internationalization. In this connection, it will also consider acquiring appropriate companies to strategically augment and expand the industrial automation portfolio. To this end, the Management Board continuously monitors the markets of relevance for MAX Automation. It anticipates that the Industrial Automation segment will develop continuously further 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 complex system solutions for the recycling and processing industry. Vecoplan will continue to pursue the objective of serving specific customer requirements in line with demand, while optimizing processes in order to deliver important added values to customers. Particular significance will continue to be ascribed to the business on the North American continent. The Vecoplan Group will make recourse to its extensive expertise in this context, including through its own technology center.

In 2016, due to the segment's lower-than-expected development and growth, measures were introduced to counter negative market influences. These particularly included adjusting capacities to current market conditions. For this reason, the Management Board assumes that the segment will generate appropriate results again on a lower sales revenue base from the current year.

13.4. Financial forecast

The Management Board regards MAX Automation, with its focus on important growth drivers in industrial automation and environmental technology, as strategically ideally positioned, and appraises the high level of order book position that has been achieved as a good starting base for successful development and growth in 2017. It will further focus the Group portfolio on high-end, future-viable hightech engineering solutions, and also tap additional synergy potentials between the individual Group companies.

Based on the current portfolio and the expectations for macroeconomic conditions presented above, the Management Board assumes the following for the 2017 financial year:

- consolidated sales revenue of at least EUR 370 million (previous year: EUR 340 million to EUR 350 million), and
- consolidated EBIT before PPA amortization in a range between EUR 22 million and EUR 25 million (previous year: EUR 18 million to EUR 20 million).

As part of the "Strategy 2021" and related measures – including both organic growth and potential acquisition – the Management Board is aiming for a significant increase in consolidated sales revenue in the medium term. Consolidated revenue should exceed the EUR 500 million level in 2021.


13.5. Prospective business trends for the parent company

The results of operations of MAX Automation AG depend to a high degree on the Group earnings trend. Based on the expected trends for the operating companies, the Management Board assumes a rising level of income from its participating interests in the 2017 financial year.

13.6. Forward-looking statements

This report includes forward-looking statements that are based on the present assumptions and forecasts of the management of MAX Automation AG. 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.

Düsseldorf, March 28, 2017

Handwritten signature of Daniel Fink in black ink.

Daniel Fink
Chief Executive Officer

Handwritten signature of Fabian Spilker in black ink.

Fabian Spilker
Chief Financial Officer

REVENUE

337.1 MIO.

EARNINGS

8.3 MIO.

EARNINGS PER SHARE

0.31 EUR

CONSOLIDATED BALANCE SHEET

of MAX Automation AG, Düsseldorf,
as of December 31, 2016

ASSETS	Notes	31.12.2016 TEUR	31.12.2015 TEUR
Non-current assets			
Intangible assets	(1)	15,396	18,847
Goodwill	(2)	53,139	53,126
Property, plant and equipment	(3)	31,625	32,534
Investment property	(4)	1,404	3,966
Equity accounted investments	(5)	0	0
Other investments	(6)	2,270	1,992
Deferred tax	(7)	5,993	6,592
Other non-current assets	(8)	335	409
Non-current assets, total		110,162	117,466
Current assets			
Inventories	(9)	41,214	39,652
Trade receivables	(10)	121,227	99,770
Receivables due from related companies	(11)	90	86
Prepayments and accrued income, and other current assets	(12)	10,615	4,855
Cash and cash equivalents	(13)	23,023	21,358
Current assets, total		196,169	165,721
Total assets		306,331	283,187

		31.12.2016	31.12.2015
EQUITY AND LIABILITIES	Notes	TEUR	TEUR
Equity			
Subscribed share capital	(14)	26,794	26,794
Capital reserves	(15)	3,055	3,055
Revenue reserve	(15)	26,144	21,129
Equity difference resulting from currency translation		966	688
Non-controlling interests	(15)	426	618
Unappropriated retained earnings	(16)	53,875	54,575
Total equity		111,260	106,859
Non-current liabilities			
Non-current loans less current portion	(17)	64,063	48,736
Pension provisions	(18)	1,033	1,082
Other provisions	(23)	1,229	1,439
Deferred tax	(7)	13,227	17,346
Other non-current liabilities	(17)	2,222	3,619
Non-current liabilities, total		81,774	72,222
Current liabilities			
Trade payables	(19)	61,788	54,336
Current loans and current portion of non-current loans	(20)	28,840	12,338
Other current financial liabilities	(21)	12,271	21,433
Income tax provisions and liabilities	(22)	2,614	7,468
Other provisions	(23)	5,718	6,929
Other current liabilities	(24)	2,066	1,602
Current liabilities, total		113,297	104,106
Equity and liabilities, total		306,331	283,187

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 COMPREHENSIVE INCOME

of MAX Automation AG, Düsseldorf,
for the period from January 1 to December 31, 2016

	Notes	2016 TEUR	2015 TEUR
Revenue	(25)	337,138	384,015
Change in finished goods and work-in-progress		2,641	-3,483
Work performed by the company and capitalized		3,055	2,039
Total operating revenue		342,834	382,570
Other operating revenue	(26)	9,778	13,724
Income from equity accounted investments		0	331
Cost of materials	(27)	-175,605	-197,401
Personnel expenses	(28)	-106,553	-110,211
Depreciation, amortization and impairment losses	(29)	-7,066	-7,502
Other operating expenses	(30)	-46,025	-56,747
Operating profit		17,363	24,763
PPA-related amortization, depreciation and impairment losses	(29)	-4,974	-4,849
Operating profit after PPA-related amortization, depreciation and impairment losses		12,389	19,914
Net interest result	(31)	-2,846	-3,649
Earnings before tax		9,543	16,265
Income taxes	(32)	-1,201	-5,677
Net income		8,342	10,588
of which attributable to non-controlling interests	(15)	22	382
of which attributable to shareholders of MAX Automation AG		8,320	10,206
Other comprehensive income that is never recycled to the income statement			
Actuarial gains and losses on employee benefits	(18)	22	-81
Income taxes on actuarial gains and losses		-7	24
Other comprehensive income that can be recycled to the income statement		15	-57
Change arising from currency translation		277	295
Total comprehensive income		8,634	10,826
of which attributable to non-controlling interests	(15)	22	382
of which attributable to shareholders of MAX Automation AG		8,612	10,444
Earnings per share (diluted and basic) in EUR	(33)	0.31	0.38

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 AG, Düsseldorf,
as of December 31, 2016

	Subscribed share capital TEUR	Capital reserves TEUR	Actuarial gains and losses TEUR	Other revenue reserves TEUR	Difference from currency trans- lation TEUR	Recon- ciling item for non-cont- rolling interests TEUR	Unappro- priated profit TEUR	Total TEUR
As of 01.01.2015	26,794	3,055	-187	21,353	394	0	48,387	99,797
Dividend payments	0	0	0	0	0	0	-4,019	-4,019
Payments to non-controlling interests	0	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	20	0	235	0	255
Total comprehensive income	0	0	-57	0	295	382	10,206	10,826
As of 31.12.2015	26,794	3,055	-244	21,373	689	617	54,574	106,859
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-cont- rolling interests	0	0	0	0	0	-214	0	-214
Transfer to retained ear- nings	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

of MAX Automation AG, Düsseldorf,
for the period from January 1 to as of December 31, 2016

	Notes	01.01.– 31.12.2016 TEUR	01.01.– 31.12.2015 TEUR
1. Cash flow from operating activities			
Net income		8,342	10,588
Adjustments relating to the reconciliation of consolidated net income for the year to cash flow from operating activities:			
Income taxes	(32)	1,201	5,677
Net interest result	(31)	2,845	3,649
Amortization	(29)	7,039	7,136
Depreciation	(29)	4,538	5,215
Depreciation of investment properties	(29)	463	0
Gain (-)/loss (+) on disposal of property, plant and equipment and intangible assets	(3)	37	14
Gain (-)/loss (+) on disposal of investment property	(4)	-1,689	0
Gain (-)/loss (+) on disposal of investments	(6)	0	162
Earnings-effective change in deferred tax	(7)	-3,520	143
Other non-cash expenses and income		3,172	2,726
Changes in assets and liabilities			
Increase (-)/decrease (+) in other non-current assets	(8)	37	-124
Increase (-)/decrease (+) in inventories	(9)	-4,157	2,303
Increase (-)/decrease (+) in trade receivables	(10)	-21,956	-14,332
Increase (-)/decrease (+) in receivables due from related companies	(11)	-4	-71
Increase (-)/decrease (+) in prepayments, accrued income and other assets	(12)	-1,923	4,273
Increase (+)/decrease (-) in other non-current financial liabilities		-964	0
Increase (+)/decrease (-) in pension provisions	(18)	-49	94
Increase (+)/decrease (-) in other provisions and liabilities		-8,479	5,685
Increase (+)/decrease (-) in trade payables	(19)	7,420	4,077
Increase (+)/decrease (-) in liabilities to related companies		0	-74
Income tax paid	(32)	-9,630	-3,290
Income tax reimbursed	(32)	1,399	373
= Cash flow from operating activities		-15,878	34,225
2. Cash flow from investing activities			
Outgoing payments for investments in intangible assets	(1)	-3,743	-3,418
Outgoing payments for investments in property, plant and equipment	(2)	-5,022	-6,347
Outgoing payments for investments in financial assets	(6)	-278	-1,720
Payments received from disposals of intangible assets	(1)	197	38
Payments received from disposals of property, plant and equipment	(2)	1,388	3,256
Outgoing payments for acquisition of subsidiaries, less cash		-1,500	-7,574
= Cash flow from investing activities		-8,958	-15,765
3. Cash flow from financing activities			
Outgoing payments for dividends	(16)	-4,019	-4,019
Draw-down of non-current borrowings	(17)	55,991	49,060
Repayment of non-current borrowings	(17)	-40,672	-56,272
Change in current borrowings	(20)	17,027	-34,434
Interest paid	(31)	-1,812	-2,659
Interest received	(31)	64	25
Increase (-)/decrease (+) in restricted cash and cash equivalents	(8)	20	541
Payments arising from settlement claims for third parties	(15)	-214	-2,007
= Cash flow from financing activities		26,385	-49,765

	Notes	01.01.- 31.12.2016 TEUR	01.01.- 31.12.2015 TEUR
4. Cash and cash equivalents			
Increase/decrease in cash and cash equivalents		1,549	-31,305
Effect of changes in exchange rates		116	286
Cash and cash equivalents at start of financial year		21,358	52,377
Cash and cash equivalents at end of financial year		23,023	21,358
5. Composition of cash and cash equivalents			
= Cash and cash equivalents	(13)	23,023	21,358

	Notes	01.01.- 31.12.2016 TEUR	01.01.- 31.12.2015 TEUR
Additional disclosures:			
Acquisition of subsidiaries:			
Goodwill		0	7,663
Intangible assets		0	3,760
Property, plant and equipment		0	97
Deferred tax		0	0
Other non-current assets		0	24
Inventories		0	1,520
Trade receivables		0	4,180
Prepayments and accrued income, and other current assets		0	192
Cash and cash equivalents		0	1,456
Non-current financial liabilities		0	0
Non-current provisions		0	0
Deferred tax		0	-1,277
Trade payables		0	-4,097
Current loans		0	0
Other current financial liabilities		0	-234
Provisions and liabilities from taxes		0	-88
Other provisions		0	-240
Other current liabilities		0	-432
Purchase price		0	12,524
Gain on lucky buy		0	0
Purchase price payment outstanding		0	-3,524
Cash and cash equivalents acquired		0	-1,456
Purchase price paid less cash and cash equivalents acquired		0	7,544

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

as of December 31, 2016
of MAX Automation AG, Düsseldorf,

Segment	Industrial Automation		Environmental Technology	
Reporting period	2016 TEUR	2015 TEUR	2016 TEUR	2015 TEUR
New order intake	300,668	236,333	95,042	127,399
Order book position	164,119	103,121	29,708	32,051
Segment revenue	239,784	252,189	97,363	132,153
- with external customers	239,734	251,861	97,363	132,153
- of which Germany	90,305	120,487	11,907	26,735
- of which other EU countries	69,987	49,718	35,719	31,625
- of which North America	24,553	36,998	45,140	59,079
- of which China	32,043	31,188	0	0
- of which Rest of the World	22,846	13,470	4,597	14,714
Inter-segment revenue	50	328	0	0
EBITDA	21,460	30,148	4,125	5,041
Segment operating profit (EBIT before PPA amortization)	16,847	26,393	1,776	1,496
Including:				
- Depreciation/amortization	-4,613	-3,755	-2,349	-3,545
- Additions to other provisions and pension provisions	-1,652	-3,052	-1,771	-2,380
- Incoming payments from sale of investment properties	0	0	0	0
- Income from equity accounted investments	0	0	0	331
Segment operating profit after PPA amortization	12,790	22,104	1,261	1,138
Including:				
- PPA amortization	-4,057	-4,289	-515	-358
Segment result from ordinary activities (EBT)	10,662	19,975	578	370
Including:				
- Interest and similar income	30	20	47	129
- Interest and similar expenses	-2,157	-2,150	-731	-896
Income taxes	1,237	-296	-886	-1,032
- Additions to income tax provisions	-131	-186	-78	-421
Net income	11,899	19,679	-308	-662
Non-current segment assets (excluding deferred tax)	47,516	49,115	14,046	22,233
- of which Germany	47,103	48,741	11,061	19,031
- of which other EU countries	68	94	50	160
- of which North America	187	140	2,935	3,042
- of which Rest of the World	158	140	0	0
Investments in non-current segment assets	7,552	18,854	682	2,327
Working capital	79,374	66,463	22,100	19,235
Average number of personnel excluding trainees	1,131	1,046	412	510

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.

	Reconciliation			Total
	2016 TEUR	2015 TEUR	2016 TEUR	2015 TEUR
	0	0	395,711	363,732
	0	0	193,826	135,172
	-9	-328	337,138	384,015
	41	0	337,138	384,015
	41	0	102,253	147,222
	0	0	105,706	81,343
	0	0	69,693	96,077
	0	0	32,043	31,188
	0	0	27,443	28,184
	-50	-328	0	0
	-1,157	-2,924	24,428	32,265
	-1,260	-3,126	17,363	24,763
	-103	-202	-7,066	-7,502
	-717	-440	-4,140	-5,872
	1,689	0	1,689	0
	0	0	0	331
	-1,663	-3,328	12,388	19,914
	-402	-202	-4,974	-4,849
	-1,697	-4,080	9,543	16,265
	8	17	85	166
	-43	-769	-2,931	-3,815
	-1,552	-4,349	-1,201	-5,677
	-612	-1,805	-821	-2,412
	-3,249	-8,429	8,342	10,588
	42,606	39,526	104,168	110,874
	42,606	39,526	100,770	107,298
	0	0	118	254
	0	0	3,122	3,182
	0	0	158	140
	531	108	8,765	21,289
	-821	-612	100,653	85,086
	6	5	1,549	1,561

GROUP

24 COMPANIES

EMPLOYEES

1,751

EQUITY RATIO

36.3 %



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1. General information

The company

MAX Automation AG (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. MAX Automation AG functions accordingly as the Group's ultimate parent company.

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 AG and of all its subsidiaries is identical with the calendar year. A joint venture with ThyssenKrupp Industrial Solutions AG that is equity accounted in the consolidated financial statements 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, 2015, which have been audited and awarded an unqualified audit certificate, were approved by the Supervisory Board on March 24, 2016. The Supervisory Board will prospectively approve the audited consolidated financial statements for the financial year ending December 31, 2016, on March 30, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (Goodwill, internally generated intangible assets, applying the PoC method, deferred taxes), 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 can 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 2016 financial year:

IAS 1 Disclosure Initiative

The amendments as part of the Disclosure Initiative to IAS 1 Presentation of Financial Statements aim to clarify IAS 1 in order to eliminate hurdles that preparers of financial statements perceive in the exercising of discretion in the presentation of financial statements. The amendments clarify that information should not be veiled through aggregation or the presentation of insignificant information, that materiality considerations are to be applied to all elements of financial statements, and that materiality is to be taken into account even if a particular disclosure is prescribed in a standard.

Presentation of the assets position, and presentations in the statement of comprehensive income and other comprehensive income: these amendments clarify that the listing of line items in the parts of financial statements can be divided or aggregated for reasons of relevance, and provide additional guidelines relating to subtotals in such parts of financial statements; they clarify that a company's share in the other comprehensive income of associates or joint ventures that are equity accounted should be reported as aggregated individual line items on the basis of whether they are recycled later to the statement of comprehensive income. The amendments add additional examples of possible sequences of disclosures in order to clarify that comprehensibility and comparability are to be taken into account when the sequence of disclosures is determined, and in order to show that the disclosures do not have to occur in the sequence as currently listed in IAS 1.114. The setter of the standard has also deleted regulations and examples relating to mentioning significant accounting policies, which were perceived as potentially of little help.

IAS 16 Property, Plant and Equipment/IAS 38 Intangible Assets

The amendments to IAS 16 Property, Plant and Equipment/IAS 38 Intangible Assets provide further guidelines to determine acceptable methods of depreciation and amortization. Accordingly, revenue-based depreciation methods are not suitable for property, plant and equipment, and revenue-based amortization methods for intangible assets are appropriate only in certain exceptional cases.

IAS 16 Property, Plant and Equipment/IAS 41 Agriculture

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture change the accounting treatment of bearer plants such as vines, rubber trees and oil palms.

IAS 19 Employee Benefits

The amendments to IAS 19 Employee Benefits are to be applied to the recognition of contributions to defined benefit pension schemes by employees or third parties. This permits the recognition of employee or third-party contributions as a reduction to the current service cost in the period in which the related work service was rendered, if the amounts do not depend on the number of years served.

IAS 27 Separate Financial Statements

The amendments to IAS 27 Separate Financial Statements reinstate the accounting option for an investor to apply the equity method in its separate financial statements for its interests in subsidiaries, joint ventures and associates.

IFRS 10 Consolidated Financial Statements/IFRS 12 Disclosure of Interests in Other Entities/IAS 28 Interests in Associates and Joint Ventures

The amendments to the aforementioned standards clarify that the consolidation exception can also be applied if a parent entity recognizes its subsidiaries at fair value pursuant to IFRS 10 Consolidated Financial Statements. Moreover, the consolidation exception can be applied if a subsidiary renders services that relate to the parent company's investment activities, if the subsidiary is an investment entity itself.

In applying the equity method to an associate or joint venture that is not an investment entity, an investor that is not an investment entity can retain the fair value measurement that the investment entity applies to its investments in subsidiaries.

An investment entity that measures all of its subsidiaries at fair value must provide the disclosures relating to investment entities as required by IFRS 12 Disclosure of Interests in Other Entities.

IFRS 11 Joint Arrangements

The amendments to IFRS 11 Joint Arrangements clarify that both the initial acquisition and subsequent add-on acquisitions of interests in a joint operation that comprises an operation are to be recognized applying the accounting regulations for business combinations as presented in IFRS 3 Business Combinations, unless these contradict the regulations of IFRS 11. The mandatory disclosures of IFRS 3 Business Combinations are also to be satisfied.

Annual Improvements to IFRS (2010 – 2012 Cycle)**IFRS 2 Share-based Payment**

The amendments to IFRS 2 Share-based Payment clarify the definitions of „vesting conditions“ and „market conditions“, and adds definitions for „performance conditions“ and „service conditions“.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS 3 Business Combinations

Amendments to IFRS 3 Business Combinations clarify that contingent considerations that are classified as assets or liabilities are to be measured at fair value on each reporting date.

IFRS 8 Operating Segments

The amendments to IFRS 8 Operating Segments require a company to disclose discretionary decisions made by a company's management in applying aggregation criteria to operating segments. The amendments also clarify that a company is only required to provide reconciliations of the sum of reportable assets to the company's assets if the segment's assets are reported on a regular basis.

IFRS 13 Fair Value Measurement

The amendments to IFRS 13 Fair Value Measurement clarify that the publication of IFRS 13 and amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement have not abolished the option to measure current receivables and liabilities without fixed interest rates undiscounted at their invoicing amount, as long as the effects of not applying discounting are immaterial.

IAS 16 Property, Plant and Equipment/IAS 38 Intangible Assets

The amendments to IAS 16 Property, Plant and Equipment/IAS 38 Intangible Assets clarify that when remeasuring an item of property, plant and equipment, the gross carrying amount is to be adjusted in a manner that harmonizes with remeasuring the carrying amount.

IAS 24 Related Party Disclosures

The amendments to IAS 24 Related Party Disclosures expand the definition of „related parties“ to include companies that either themselves or through one of their group companies render key management personnel services for the reporting entity, without a related party relationship in the meaning of IAS 24 existing otherwise between the two companies (so-called „management entities“). Separate disclosures pursuant to a newly added paragraph 18A are required for expenses recognized at the reporting entity for services rendered by a management entity. By contrast, the reporting entity is not required to make disclosures pursuant to IAS 24.17 for payments rendered by the management entity to employees who perform management tasks at the reporting entity.

IFRIC 21 Levies

IFRIC 21 Levies includes guidelines as to when government-imposed levies are to be recognized (e.g. bank levy). The activity that triggers the payment pursuant to the relevant legislation is identified as the obligating event for the recognition of a liability in this context. Only when the obligating event arises are levies to be recognized on the balance sheet. The obligating event can also occur successively over a period, requiring the liability to be recognized pro rata temporis.

Annual Improvements to IFRS (2012–2014 Cycle)

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations establish separate guidelines in IFRS 5 for cases where a company reclassifies an asset from the „held for sale“ category to the „held for distribution to owners“ category, or vice versa. Reclassification between categories is no longer to result in a discontinuation of related IFRS 5 categorization, presentation and measurement regulations. Only in cases where the criteria for classification to one of the two categories are no longer met, without a direct switch between the two categories occurring, are the measurement regulations of IFRS 5.27–29 to be applied, which are now also explicitly valid for assets previously categorized as „held for distribution to owners“.

IFRS 7 Financial Instruments: Disclosures

The IASB implemented two clarifications relating to IFRS 7 Financial Instruments: Disclosures. The first addition concerns mandatory disclosures connected with the transfer of financial assets. This relates specifically to applying IFRS 7.42C to servicing agreements, and the question as to whether these represent a continuing involvement for the purposes of the disclosure regulations of paragraphs 42E–42H. The IASB clarifies in this context that the transferring entity’s obligation arising from the servicing agreement to remit the payments collected from the transferred financial assets to the recipient do not represent a continuing involvement in the meaning of the disclosure regulations. By contrast, the retention of a servicing obligation in return for receipt of a service fee comprises a continuing involvement, as a matter of principle.

A further clarification relates to the first-time application of the amendments to IFRS 7 Financial Instruments: Disclosures relating to the offsetting of financial assets and financial liabilities, which were published in December 2011. Pursuant to IFRS 7.44R, these amendments are to be applied to financial years commencing on or after January 1, 2013, as well as to all interim reporting periods within these financial years. The reference to applicability to all interim reporting periods is now to be deleted in order to clarify that the amendments to IFRS 7 do not result in explicit disclosure requirements for interim reports. The additional disclosures are nevertheless to be provided in condensed interim reports pursuant to IAS 34, if IAS 34 so requires. For example, IAS 34.15 et seq. requires an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance since the end of the last financial year.

IAS 19 Employee Benefits

The amendments to IAS 19 Employee Benefits are intended to clarify that high quality corporate bonds that are applied to calculate the discount rate for post-employment benefits are to be denominated in the same currency as the payments to be rendered. The interest rate utilized pursuant to IAS 19R.83 to discount defined benefit pension obligations is to be determined on the basis of yields achieved on the market for high quality corporate bonds on the reporting date. In countries where no deep market exists in such corporate bonds, the market yields at the end of the reporting period on government bonds are to be used.

IAS 34 Interim Financial Reporting

The amendments to IAS 34 Interim Financial Reporting are intended to clarify the meaning of „elsewhere“ in the interim report. A regulation is also to be included that a reference is to be provided if this other location is not situated within the main part of the report. Accordingly, this can relate to information that is located either

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

directly within another section of the interim report, or within other documents to which reference is made in the interim report. The precondition for the latter, however, is that the other documents be available to the addressees of the interim report at the same time and on the same terms as the interim report itself. If this is not the case, an interim report does not satisfy the regulations of IAS 34, and correspondingly fails to comply with IFRS.

The amendments referred to above have no significant effect, or only a minor effect, on the company's financial position and performance.

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:

IFRS 9 Financial Instruments

The IASB published IFRS 9 Financial Instruments in July 2014. IFRS 9 introduces a standard approach to the classification and measurement of financial assets. As the basis for this, the standard makes recourse to cash flow characteristics and the business model by which they are managed. It also comprises a new impairment model based on expected credit defaults. Moreover, IFRS 9 includes regulations concerning the application of hedge accounting in order to present a company's risk management activities better, especially relating to managing non-financial risks. The new standard is to be applied to financial years commencing on or after January 1, 2018; early, voluntary application is permitted. The company is currently examining what effects application of IFRS 9 will have on the company's financial statements.

IFRS 10 Consolidated Financial Statements/IAS 28 Interests in Associates and Joint Ventures

The amendments to IFRS 10 Consolidated Financial Statements/IAS 28 Interests in Associates and Joint Ventures address a well-known inconsistency between the regulations of IFRS 10 and IAS 28 in the case of the disposal of assets, or contribution of assets, to an associate or joint venture. The new regulations require an investor to fully recognize future gains or losses on the loss of control over a subsidiary contributed to an associate or joint venture, if the transaction relates to an operation in the meaning of IFRS 3 Business Combinations. If the transaction relates to assets that do not comprise an operation, however, only the proportional profit or loss equivalent to the other investors' share is recognized. The related operational date was postponed for an unlimited period as the result of amendments in December 2015. The company currently assumes that these amendments will not affect the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 re-regulates the recognition of revenue from contracts with customers comprehensively and across different sectors. 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.

MAX Automation AG intends to apply the new standard on a modified basis retrospectively as of January 1, 2018.

As part of an initial analysis of contracts, matters potentially requiring conversion have been identified.

A shift in the revenue recognition date can arise from identifying an additional performance obligation, a modification to the estimate as to whether revenue is realized in relation to a date or period, or concerning the date of transfer of control.

The following matters could be identified as separate performance obligations:

- Warranties whose terms extend beyond timeframes that are typical of the sector or required by law
- Commitments relating to certain long-term maintenance rates
- Maintenance or other service work as part of selling a plant

A modified appraisal as to whether a performance is to be fulfilled in relation to a date or to a period is possible in the case the following matters:

- Projects to build customer-specific plants without payment obligations that can be enforced at any time
- Projects to build plants that have alternative uses or can be deployed in other ways by customers

A modified assessment relating to the date of transfer of control is possible in the case of agreements applying certain Incoterms to overseas freight.

Moreover, the level of revenue over the total period on the basis of IFRS 15 can differ from previous financial accounting. This is possible in the case the following matters:

- Subsidies prepaid by customers for which a revenue-increasing financing component is to be taken into account in addition.

In a next step in the first half of 2017, the quantitative effects on the consolidated financial statements are to be analyzed in more depth. IFRS 15 also leads to a significant increase in the disclosures to be made in the notes to the financial statements.

IFRS 16 Leases

The IASB published IFRS 16 Leases in January 2016. IFRS 16 replaces IAS 17 Leases. The main change, especially for lessees, lies in relinquishing 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 MAX Group has started with an initial assessment of the potential effects on the IFRS consolidated financial statements. As of the first-time application date, the MAX Group anticipates an increase in total assets due to the recognition of lease liabilities as well as a comparatively high increase in non-current assets due to the right-of-use assets to be capitalized. The equity ratio will reduce accordingly.

In the income statement, the type of expenses connected with such leases will change. Straight-line expenses for operating leases will be replaced by borrowing costs for liabilities from the lease and, depending on the asset underlying the respective right-of-use asset, a depreciation expense for the right-of-use asset. This will lead to an improvement in EBITDA as well as to an increase in cash flow from operating activities.

Due to the ongoing analyses, the MAX Group is not yet able to quantify the effects of applying IFRS 16. Among other factors, such quantitative effects depend on the transition method selected, the scope in which the MAX Group applies the practical simplification rules and exception rules for recognition, and the scope of leases existing on the first-time application date.

The MAX Group intends to apply IFRS 16 retrospectively on a modified basis for the first time as of January 1, 2019.

IAS 12 Income Taxes

In January 2016, the IASB published the „Recognition of Deferred Tax Assets for Unrealized Losses“ amendments to IAS 12 Income Taxes. These amendments specify the recognition and measurement of deferred tax assets relating to debt securities recognized at fair value. The amendments are to be applied for financial years beginning on or after January 1, 2017. Adoption into European law is still outstanding.

The effects on the presentation of the financial position and performance are still being reviewed.

IAS 7 Statements of Cash Flows

In January 2016, the IASB published the „Amendments to IAS 7: Disclosure Initiative“ amendment to IAS 7 Statements of Cash Flows. The following changes to liabilities as a result of financing activities are to be disclosed in the future:

- Changes to cash flows from financing activities,
- Changes as a result of gaining or losing control of subsidiaries or other entities,
- Effects of changes in currency exchange rates,
- Fair value changes, and
- Other changes.

The amendments are to be applied for financial years beginning on or after January 1, 2017. Adoption into European law is still outstanding.

The effects on the presentation of the financial position and performance are still being reviewed.

IFRS 2 Share-based Payment

In June 2016, the IASB published the „Classification and Measurement of Share-based Payment Transactions“ amendment to IFRS 2 Share-based Payment. This amendment specifically addresses certain questions connected with the recognition of cash-settled share-based payments. For example, service conditions and non-market conditions are no longer to be taken into account in calculating fair value in the future, but instead in the number of equity instruments prospectively becoming non-forfeitable. The amendments are to be applied for financial years beginning on or after January 1, 2018. Adoption into European law is still outstanding.

Effects on the presentation of the financial position and performance are not expected.

IAS 40 Investment Property

In December 2016, the IASB published the „Transfers of Investment Property“ amendment to IAS 40 Investment Property. This specifies that entities can transfer a property to, or from, „investment property“ when, and only when, evidence exists of an actual change in use. A change in intention in relation to a property does not represent a change in use. The amendments are to be applied for financial years beginning on or after January 1, 2018. Adoption into European law is still outstanding.

The effects on the presentation of the financial position and performance are still being reviewed.

Annual Improvements to IFRS (2014–2016 Cycle)

In December 2016, the IASB published a collection of standards entitled „Annual Improvements IFRS Standards 2014–2016 Cycle“ as part of its annual improvements projects. The amendments relate to IFRS 1 (First-Time Adoption of IFRS), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures). The amendments mainly concern clarifications of the scope of application and other clarifications. The amendments to IFRS 1 and IAS 28 are applicable for financial years beginning on or after January 1, 2018, and for IFRS 12 for financial years beginning on or after January 1, 2017. Adoption into European law is still outstanding.

The effects on the presentation of the financial position and performance are still being reviewed.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration in relation to IAS 21 The Effects of Changes in Foreign Exchange Rates. The interpretation clarifies that the exchange rate used to translate foreign currency advance consideration received or paid is also to be used to recognize the respective subsequent assets, expenses and income. IFRIC 22 must be applied for financial years beginning on or after January 1, 2018. Adoption into European law is still outstanding.

The effects on the presentation of the financial position and performance are still being reviewed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 of disposal, 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 values and values 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 to be included in the calculation of value-in-use.
- The costs of equity are calculated on the basis of the capital asset pricing model, and amount to 6.69 % (previous year: 8.01 %). The cost of capital is calculated taking into account a risk-free rate of 0.90 % (previous year: 1.57 %), a risk premium of 6.5 % (previous year: 6.5 %), and a beta of 0.89 (previous year: 0.99). The peer group's borrowing rate amounts to 1.78% (previous year: 2.14%). Taking the 11.11 % (previous year: 11.11%) gearing into account, the weighted average cost of capital amounts to 8.77% (previous year: 10.51 %).
- 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 that is 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 2017 to 2019 periods. These assumptions are mainly calculated in-house, and predominantly reflect past experience, or are compared with external market values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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:

Prospective 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 on the basis of 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 on the basis of 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 on the basis of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 on the basis of 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, high 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 on the basis of 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, on the basis of 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 =	31.12.2016	31.12.2015	31.12.2016	31.12.2015
China	CNY	7.32020	7.06080	7.34956	6.97300
United Kingdom	GBP	0.85620	0.73395	0.81890	0.72600
Poland	PLN	4.41030	4.26390	4.36364	4.18279
USA	USD	1.05410	1.08870	1.10661	1.10963

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 on the basis of 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 on the basis of taxable earnings for the 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 liability for current taxes calculated on the basis of 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 deductible temporary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 on the basis of 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 subsidiaries are included in its scope of consolidation. These comprise majority interests. Subsidiaries that are immaterial to convey a true and fair view – even when aggregated – are not included.

Besides MAX Automation Aktiengesellschaft, the scope of consolidation on the balance sheet date comprised a total of 24 subsidiaries that are listed in the schedule of shareholdings, as well as the equity accounted joint venture Vecoplan FuelTrack GmbH i.L.

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	2016	2015
Industrial Automation	17	18
Environmental Technology	7	9
Group	24	27

3.3. Changes to the scope of consolidation

In the Industrial Automation segment, IWM-Automation Verwaltungs GmbH, Porta Westfalica, a wholly-owned subsidiary of IWM Automation GmbH, was merged with the latter retrospectively as of January 1, 2016, on the basis of an agreement dated June 23, 2016.

In the Environmental Technology segment, with an agreement dated June 30, 2016, BTD Behältertechnik Dettenhausen Verwaltungs GmbH, Dettenhausen, a wholly owned subsidiary of MAX Automation AG, was merged with MAX Automation AG, Düsseldorf, retrospectively as of December 30, 2015. BTD Behältertechnik Dettenhausen Verwaltungs GmbH, Dettenhausen, was a general partner of altmayerBTD GmbH & Co. KG. With the entry of the merger in the commercial register and the related deletion of the general partner, altmayerBTD GmbH & Co. KG consequently accrued to the sole remaining limited partner, MAX Automation AG as of August 31, 2016. This accrual resulted in the winding down of the limited commercial partnership (KG). MAX Automation AG assumed its assets and liabilities. This accrual does not generate any effects for the consolidated financial statements.

4. Notes to the consolidated balance sheet

4.1. Assets

(1) Intangible assets

TEUR	2016	2015
Intangible assets	15,396	18,847
Concessions, industrial property rights, and similar rights and assets, as well as licenses to such rights and assets	7,916	12,744
Internally generated intangible assets	6,655	5,092
Prepayments rendered	825	1,010

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 2,902 (previous year: TEUR 1,683) were capitalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(2) Goodwill

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

TEUR	31.12.2016	31.12.2015
Goodwill	53,139	53,126
Industrial Automation	46,715	46,715
– of which NSM Magnettechnik Group	19,788	19,788
– of which MA micro automation GmbH	11,661	11,661
– 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	6,424	6,411
– of which Vecoplan Group	6,424	6,411

Goodwill increased minimally to TEUR 53,139 in the financial year under review (previous year: TEUR 53,126).

This growth arises from currency translation effects in the Environmental Technology subgroup.

(3) Property, plant and equipment

TEUR	31.12.2016	31.12.2015
Property, plant and equipment	31,625	32,534
Land and buildings	22,695	20,104
Technical plant and machinery	3,672	5,023
Other plant, operating and office equipment	4,501	4,229
Plant under construction	711	668
Prepayments rendered	46	2,510

Property, plant and equipment amounts to TEUR 31,625 (previous year: TEUR 32,534). Additions in the financial year amounted to TEUR 5,022 (previous year: TEUR 6,347). Depreciation of TEUR 4,837 was expensed (previous year: TEUR 5,215).

The increase in land and buildings arises mainly from the reclassification of TEUR 3,109 from prepayments rendered, which reduced accordingly. This relates to a new production hall with office space for bdtronic GmbH in Weikersheim.

(4) Investment property

TEUR	31.12.2016	31.12.2015
Investment property	1,404	3,966
Land	296	479
Buildings	1,108	3,487

Investment property includes land and buildings of the former something operations that have not yet been sold, of the former altmayerBTD GmbH that has meanwhile merged with MAX Automation AG, whose fair value corresponds to the carrying amount on the reporting date. The estimate of fair value derives from sales discussions that have been conducted.

The reduction in investment property arises from the exercising of the pre-emptive right by the buyer of the BTD operations, which was exercised early. The disposal price amounts to TEUR 4,250. The book gain reported in other operating income amounts to TEUR 1,689.

The amount of TEUR 17 was expensed for the maintenance of the utilized investment property (previous year: TEUR 0). Due to fact that the reclassification to investment properties was not implemented until the December 31, 2015 reporting date, no operating costs were incurred in the previous year in connection with investment properties.

(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.

The proportional accrued retained earnings of the MAX Group amount to TEUR 60 (previous year: TEUR 60).

The company's total assets (of which assets: TEUR 391 (previous year: TEUR 3,870)) amounted to TEUR 391 (previous year: TEUR 3,698), and the level of liabilities stands at TEUR 220 (previous year: TEUR 3,698).

The company's unaudited annual financial statements as of September 30, 2015 prepared in accordance with German Commercial Code (HGB) accounting principles provide the basis for the figures presented here. The annual financial statements for the year ending September 30, 2016 are not yet available.

(6) Other investments

Other investments of TEUR 2,270 (previous year: TEUR 1,992) include, among other items, a vendor loan of TEUR 1,087 (previous year: TEUR 850) and a dormant equity investment of TEUR 800 (previous year: TEUR 800). Both the vendor loan and the dormant equity investment were substantiated in the previous financial year in connection with the management buyout at altmayerBTD GmbH & Co. KG. A vendor loan granted in connection with the aforementioned MBO was not due for payment in an amount of TEUR 350 until the start of the current financial year after all of the buyer's preconditions for the granting had been met. Other investments also include TEUR 30 of interests in affiliated companies (previous year: TEUR 30). These relate to shares in a general partnership limited liability company that are of minor significance for the consolidated financial statements. Other non-current financial assets exist in an amount of TEUR 353 (previous year: TEUR 312), and include a tenant loan of TEUR 271 (previous year: TEUR 196).

Other investments are no longer listed in the statement of changes in non-current assets due to their minor significance for the MAX Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(7) Deferred tax

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

TEUR	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Non-current balance sheet items				
A. Non-current assets	5,592	8,669	6,476	12,100
I. Intangible assets	323	7,930	290	10,994
II. Property, plant and equipment	207	640	652	1,017
III. Non-current financial liabilities	14	99	14	89
IV. Deferred tax assets for tax loss carryforwards	5,048	0	5,520	0
B. Non-current borrowings	141	49	138	36
Current balance sheet items				
C. Current assets	1,687	4,330	1,250	5,210
I. Inventories and trade receivables	1,687	4,330	1,250	5,190
II. Current financial liabilities	0	0	0	20
D. Current borrowings	486	179	565	0
Sub-total	7,906	13,227	8,429	17,346
Valuation adjustments applied to loss carryforwards	-199	0	-51	0
Offsetting	-1,715	0	-1,786	0
Total	5,992	13,227	6,592	17,346

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 liabilities in an amount of TEUR 6,084 previously have been attributable to goodwill to date. These relate to goodwill from acquiring interests in unincorporated firms. On the acquisition date, the goodwill was recognized in both the tax accounts as well as on the consolidated balance sheet. The goodwill in the tax accounts is amortized. Deferred tax liabilities were recognized in relation to the difference. The unincorporated firms have meanwhile been converted into incorporated firms. The tax arrears periods following the German Corporate Conversion Tax Act (UmwStG) have now expired. For this reason, income taxes are now only incurred if an asset deal occurs. In the case of a share deal, only a small proportion of the profit is to be taxed. In the case of some of the companies whose corporate form was changed, the decision was made that no asset deal should occur if possible. The deferred taxes on this (TEUR 2,395) consequently increased profit as reported in profit or loss.

Within the Group, domestic tax loss carryforwards in the trade tax area exist in an amount of TEUR 758 at the parent company (previous year: TEUR 1,577). The resultant trade tax benefits amount to TEUR 104 (previous year: TEUR 218).

Due to the accrual of altmayerBTD GmbH & Co. KG, additional trade tax losses of EUR 8.4 million were utilized in 2015 and 2016.

In addition, domestic trade tax loss carryforwards exist in an amount of TEUR 14,925 (previous year: TEUR 21,319), and corporation tax loss carryforwards in an amount of TEUR 14,657 (previous year: TEUR 12,180), with deferred tax assets totaling TEUR 4,157 (previous year: TEUR 4,542), which were value-adjusted in an amount of TEUR 0 (previous year: TEUR 0). The domestic loss carryforwards amount to TEUR 3,175 (previous year: TEUR 3,373), with the related deferred tax assets of TEUR 787 (previous year: TEUR 760) being value-adjusted in an amount of TEUR 199 (previous year: TEUR 51).

When measuring the value retention of the loss carryforwards, so-called minimum taxation has had to be taken into account in Germany since 2004. 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 4,261 (previous year: TEUR 4,091) is covered through deferred tax liabilities. Deferred tax assets of TEUR 588 (previous year: TEUR 1,377) 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 being implemented.

The following amounts are reported in the consolidated balance sheet:

TEUR	31.12.2016	31.12.2015
Deferred tax assets:		
– from deductible differences	2,858	2,909
– from tax loss carryforwards	4,849	5,469
– offsetting with deferred tax liabilities	-1,714	-1,786
Total deferred tax assets	5,993	6,592
Deferred tax liabilities:		
– from taxable temporary differences	13,227	17,346

(8) Other non-current assets

Other non-current assets of TEUR 335 (previous year: TEUR 409) exist mainly from available liquid assets (cash deposits) of TEUR 0 (previous year: TEUR 20), non-current trade receivables of TEUR 333 (previous year: TEUR 350), and from capitalized corporation tax credits of MAX Automation AG and mabu-presse GmbH (which was merged with NSM Magnettechnik GmbH) of TEUR 0 (previous year: TEUR 37). The tax authority disbursed the credit in installments over a 10-year period that started in 2008. Discounting of 4 % was applied.

The aforementioned cash deposits have mainly been discontinued as part of the new syndicated financing facility for the MAX Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(9) Inventories

TEUR	31.12.2016	31.12.2015
Raw materials and supplies	16,270	15,462
Unfinished goods and work-in-progress	135,903	105,565
Unfinished goods and work-in-progress (construction contracts)	-119,431	-92,090
Finished goods and services	57,922	56,026
Finished goods and services (construction contracts)	-52,768	-49,805
Prepayments rendered	3,318	4,494
Inventories	41,214	39,652

A year-on-year inventory change of TEUR 2,641 (previous year: TEUR -3,483) 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 3,573 are included in inventories (previous year: TEUR 1,262). 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	31.12.2016	31.12.2015
Receivables from construction contracts	192,694	156,130
Proportionately recognized cost	-172,199	-135,683
Reported unappropriated retained earnings	20,495	20,447
Prepayments received for construction contracts	-116,843	-105,755
Current receivables from construction contracts	75,851	50,375

Revenues of TEUR 177,303 were recognized from construction contracts during the period under review (previous year: TEUR 209,506).

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

TEUR	31.12.2016	31.12.2015
Trade receivables:		
Neither overdue nor individually value-adjusted receivables	31,284	37,180
Individual value allowances	-1,215	-1,085
Collective value allowances	-313	-420
Overdue receivables that are not individually value-adjusted		
< 30 days	6,632	7,356
> 30 days	2,173	1,390
> 60 days	2,132	1,450
> 90 days	3,461	2,409
Overdue receivables, total	14,398	12,605
Individually value-adjusted receivables	1,223	1,116
Carrying amount	45,377	49,395
Receivables from construction contracts	192,694	156,130
Prepayments received from construction contracts	-116,843	-105,756
Trade receivables	121,227	99,770

Information about receivables assignments is included in section 4.2 (17).

The increase in the receivables position arises mainly from the higher volume of construction contracts due to the sharp rise in new order intake in the 2016 financial year.

(11) Receivables due from related companies

The TEUR 86 item relates mainly to trade receivables due from Vecoplan FuelTrack GmbH i.L.

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

TEUR	31.12.2016	31.12.2015
Receivables from purchase price payments	4,250	1,131
Claims due from the tax authorities	3,534	823
Prepayments and accrued income	1,402	1,340
Receivables arising from compensation claims	575	538
Supplier accounts in debit	171	250
Receivables due from employees	220	214
Other receivables	463	560
Total	10,615	4,855

The receivable from the purchase price payment relates to the sale of Investment Properties.

(13) Cash and cash equivalents

Cash and cash equivalents of TEUR 23,023 (previous year: TEUR 21,358) 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.

(14) Subscribed share capital

The company's fully paid in share capital amounts to EUR 26,794,415.00.

It is divided into 26,794,415 no par value ordinary shares. As a consequence, one ordinary share corresponds to the notional investment value of EUR 1.00. The shares are registered shares.

The Management Board, with Supervisory Board ascent, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Section 5 (6) of the articles of incorporation in the version dated August 26, 2016, the Management Board is authorized, with Supervisory Board assent, 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 Management Board is nevertheless authorized, with Supervisory Board assent, to exclude fractional amounts from shareholders' subscription rights. The Management Board is also authorized, with Supervisory Board assent, 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 Supervisory 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.

Pursuant to Section 5 (7) of the articles of incorporation in the version dated August 26, 2016, the Management Board is authorized, with Supervisory Board assent, 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 2,665,000.00 against cash or non-cash capital contributions through issuing new ordinary registered shares (with voting rights) (Approved Capital II). Shareholders' statutory subscription rights can be satisfied by indirect subscription rights in the meaning of Section 186 (5) Clause 1 of the German Stock Corporation Act (AktG). The Management Board is additionally authorized, with Supervisory Board approval, to exclude statutory shareholder subscription rights in the following instances:

- for fractional amounts;
- if the capital increase occurs against cash capital contributions, and the total proportional amount of the share capital attributable to the new shares for which subscription rights are excluded does not exceed either 10 % of the share capital existing as of June 30, 2015, nor 10 % of the share capital on the date of the registration of the authorization, nor 10 % of the share capital existing on the date when the company's new shares are issued, and the issue amount of the new shares is not significantly less in the meaning of Sections 203 (1) and (2), 186 (3) Clause 4 of the German Stock Corporation Act (AktG) than the stock market price of the already listed shares; in calculating the 10 % limit, the proportional amount of the share capital is to be deducted that is attributable to the new or repurchased shares that are issued or sold since June 30, 2015 under simplified exclusion of subscription rights pursuant, or corresponding, to Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG), as well as the proportional amount of the share capital to which conversion or option rights or obligations arising from bonds relate, which have been issued since June 30, 2015 in analogous application of Section 186 (3) Clause 4 of the German Stock Corporation Act (AktG);
- in the case of capital increases against non-cash capital contributions, in order to grant shares as part of mergers with other companies or the acquisition of companies, parts of companies, or interests in companies, or other assets that can comprise capital contributions.

The Management Board is also authorized, with Supervisory Board assent, 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 II. The Supervisory 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 Cap-

ital II, or after the expiry the authorization period, in accordance with the scope of the capital increase from Approved Capital II.

The company has not utilized these authorizations 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.

Along with income tax, the revenue reserve also includes actuarial gains and losses on pension provisions. These amounted to TEUR -229 in 2016 (previous year: TEUR -244).

Furthermore, since the financial year under review, equity also includes an item to reflect non-controlling (minority) interests. In the previous year, non-controlling interest were reported under current liabilities from minority shareholders settlement claims.

(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 AG, which are prepared in accordance with the provisions of the German Commercial Code (HGB). The separate financial statements of MAX Automation AG for 2016 report unappropriated retained earnings of TEUR 13,122 on the basis of accounting pursuant to the German Commercial Code (HGB).

The Management and Supervisory boards propose the distribution of a dividend of EUR 0.15 per share from the unappropriated retained earnings. This corresponds to a total dividend payout amount of TEUR 4,019. 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 as the result of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-current liabilities

(17) Non-current financial liabilities

TEUR	31.12.2016	31.12.2015
Non-current loans less current portion	64,063	48,736
Remaining term 1–5 years	62,448	47,501
Remaining term > 5 years	1,615	1,235
Other non-current liabilities	2,222	3,619
Remaining term 1–5 years	1,369	2,442
Remaining term > 5 years	853	1,177
Total	66,285	52,355

The non-current loans relate to bank borrowings and include the parent company syndicated loan in an amount of TEUR 59,342 (previous year: TEUR 42,223).

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

Non-current loans less current portion

The syndicated loan of MAX Automation AG that was newly implemented in the 2015 financial year includes the financial covenants relating to the consolidated financial statements prepared according to IAS/IFRS. These relate to both balance sheet and earnings figures. Section 11.2. of the Group management report provides further related information. In 2016, 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 8,301 (previous year: TEUR 18,758), collateral assignment of non-current assets as well as the assignment of shares held in companies in an amount of TEUR 791 (previous year: TEUR 2,599) mainly serve as collateral for the non-current liabilities, 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 1.20 % and 5.70 % in 2016.

Finance leases

Finance leases for a property, and for various items of operating and office equipment, as well as a technical plant, have been concluded within the MAX Group. The basic rental period for the property amounts to 15 years, and the basic rental period for the technical equipment amounts to 5 years. The lease contracts for the items of operating an office equipment have a basic rental period of between three and five years.

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. Only an extension option exists in relation to the technical equipment. The lease contracts connected with the operating and office equipment relate to a hire purchase contract, as well as to two further leases that include contractual clauses concerning the automatic transfer of legal ownership at the end of the basic rental period. The payment of all lease installments incurred during the basic rental period represents a precondition for the transfer of ownership.

The lease contracts do 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 4,661 (previous year: TEUR 4,661). The net carrying amount stands at TEUR 3,550 on the reporting date (previous year: TEUR 3,927). Depreciation of TEUR 377 was applied in the year under review (previous year: TEUR 376).

TEUR	up to 1 year	1 to 5 years	longer than 5 years	Total
Minimum lease payments	687	1,570	897	3,154
Future borrowing costs	125	324	63	512
Present values	562	1,246	834	2,642

(18) Pension provisions

The pension provisions that are 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	31.12.2016	31.12.2015
Interest rate	1.58 %	2.29 %
Salary trend	1.5 %	0.0 %
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	31.12.2016	31.12.2015
Balance as of January 1	1,082	988
Service cost	0	16
Interest cost	25	23
Actuarial gains and losses	-22	81
Pensions paid	-52	-26
Offsetting with reinsurance	0	0
Pension provision	1,033	1,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The projected pension benefit obligation of the plan assets (asset value) reports the following changes:

TEUR	31.12.2016	31.12.2015
Balance as of January 1	0	226
Release	0	-226
Plan assets December 31	0	0

When Mr. Bernd Priske stepped down from his position as Management Board Spokesman in early 2015, the pension provision and the reinsurance cover were wound down in the previous year.

Actuarial gains and losses were recognized directly in equity.

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

TEUR	2016	2015	2014	2013	2012
Pension obligation as recognized on the balance sheet	1,033	1,082	988	814	715
Plan assets offset	0	0	226	156	140

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

Besides pension payments (TEUR 53), pension costs (interest and current service costs) of prospectively TEUR 16 will be incurred in 2017.

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	2016	2015
Trade payables	31,949	25,754
Prepayments received unrelated to construction contracts	18,808	14,115
Obligations from construction contracts	6,959	9,217
Liabilities from uninvoiced deliveries and outstanding assembly work	3,809	3,763
Liabilities to subcontractors	263	1,487
Trade payables	61,788	54,336

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

Short-term bank borrowings of TEUR 28,840 (previous year: TEUR 12,338) were drawn down, for which interest is charged on standard market terms. This includes TUSD 10,000 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) Other current financial liabilities

TEUR	2016	2015
Wages and salaries	4,114	6,003
Vacation wages/salaries and overtime	3,104	3,386
Debtor accounts in credit	1,133	485
Acquisition price obligation for iNDAT Robotics GmbH	994	2,560
Social security liabilities	567	547
Lease liabilities	562	1,019
Negative market values of derivative financial instruments	2	102
Liabilities arising from monies held in trust	0	4,621
Liabilities from acceptance of drawn bills	0	1,000
Miscellaneous current liabilities	1,796	1,710
Total	12,271	21,433

Wages and salaries include TEUR 3,525 of bonuses (previous year: TEUR 5,320).

(22) 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 tax rate is 35.64 %.

Tax provisions report the following changes:

TEUR	31.12.2015	Consumption	Reversals	Additions	31.12.2016
Corporation tax with Solidarity Surcharge	4,911	-4,649	-107	212	366
Trade tax	2,192	-1,296	-126	533	1,303
Other taxes	337	-57	0	76	356
Total provisions	7,440	-6,002	-233	821	2,025
Tax liabilities	28	-28	0	588	588
Income tax provisions and liabilities	7,468	-6,031	-233	1,409	2,614

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(23) Other provisions

Other provisions comprise the following main items:

TEUR	31.12.2015	Consumption	Reversals	Reclassification	Additions	31.12.2016
Non-current warranty provisions	1,368	-136	-23	-179	126	1,156
Non-current personnel cost provisions	61	0	-1	0	4	64
Non-current miscellaneous other provisions	10	0	0	0	0	10
Other non-current provisions, total	1,439	-136	-24	-179	130	1,229
Warranty provisions	3,185	-938	-1,090	179	1,438	2,774
Personnel costs provisions	812	-475	-238	0	326	425
Miscellaneous other provisions	2,932	-2,041	-588	0	2,216	2,518
Other current provisions, total	6,929	-3,454	-1,916	179	3,980	5,718

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 TEUR 778 of obligations for auditing and consulting costs (previous year: TEUR 857), TEUR 509 for subsequent invoices (previous year: TEUR 528), TEUR 84 for commissions (previous year: TEUR 215), TEUR 60 for litigation costs/loss compensation (previous year: TEUR 269), and TEUR 1,086 for other items (previous year: TEUR 1,063).

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

(24) Other current liabilities

This item of TEUR 2,066 (previous year: TEUR 1,602) mainly comprises TEUR 1,247 of wage and church taxes (previous year: TEUR 1,342) and TEUR 818 of VAT (previous year: TEUR 259).

5. Notes to the statement of comprehensive income

(25) Revenue

TEUR	2016	2015
Germany	102,253	147,222
European Union	105,706	81,343
North America	69,693	96,077
China	32,043	31,188
Rest of the World	27,443	28,184
Total	337,138	384,015

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

In accordance with amendments relating to commercial accounting regulations, other operating income connected with products, merchandise or services was qualified as sales revenue.

The adjustment in relation to the previous year amounted to TEUR 199.

(26) Other operating revenue

TEUR	2016	2015
Income from currency effects	2,425	7,042
Income from release of provisions	1,940	2,638
Gain on disposal of investment property	1,689	0
Income from derecognition of liabilities	802	968
Income from elimination of valuation adjustments	438	333
Income from loss compensation	225	326
Income from derecognition of earnout	0	213
Other	2,260	2,204
Total	9,778	13,723

The Other item mainly comprises non-cash benefits of TEUR 625 (previous year: TEUR 682), and bonuses of TEUR 583 that have not yet been disbursed (previous year: TEUR 298).

(27) Cost of materials

TEUR	2016	2015
Expenses for purchased goods	134,316	149,514
Expenses for purchased services	41,289	47,887
Total	175,605	197,401

(28) Personnel expenses

TEUR	2016	2015
Wages and salaries	89,714	93,340
Social security contributions	16,839	16,871
– of which expenses for pensions and benefits	688	619
Total	106,553	110,211

Average number of employees excluding trainees	2016	2015
Wage earners	493	545
Salary earners	1,056	1,016
Total	1,549	1,561

(29) Depreciation, amortization and impairment losses

TEUR	2016	2015
For intangible assets	7,039	6,731
For goodwill	0	405
For buildings, leasehold improvements and external facilities	1,232	1,315
For property, plant and equipment	3,306	3,904
For investment property	463	0
- PPA amortization included in the items above	4,974	4,849
Total	12,040	12,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PPA amortization includes TEUR 1,537 of impairment losses in the financial year under review. Of this, TEUR 467 is attributable to impairment losses applied to a technology.

(30) Other operating expenses

TEUR	2016	2015
Travel expenses	5,751	6,684
Vehicle expenses	3,696	3,991
Rent/lease expenses	3,630	3,590
Legal and advisory costs	3,551	4,073
Expense for outgoing freight	3,314	4,564
Expense for postage, telephone and IT	2,578	1,991
Maintenance costs	2,521	3,177
Expenses from currency effects	1,992	6,094
Sales commissions	1,937	2,734
Expense for electricity, gas and water	1,775	1,930
Personnel expenses (including training and further development)	1,765	1,699
Warranty expenses	1,657	2,520
Expense for insurance	1,349	1,505
Trade fair costs	1,333	1,395
Advertising costs	1,257	1,167
Miscellaneous other operating expenses	7,919	9,633
Total	46,025	56,747

Travel expenses of TEUR 5,751 (previous year: TEUR 6,684) were incurred mainly for employees engaged in assembly, as well as for sale staff.

The reduction in expenses from currency effects to TEUR 1,992 (previous year: TEUR 6,094) derives mainly from the lower sales revenues in North America accompanied by a year-on-year depreciation for the MAX Group in the euro to US dollar exchange rate.

Personnel expenses of TEUR 1,765 (previous year: TEUR 1,699) include chiefly expenses for training and further development of staff, as well as expenses for staff recruitment, and for voluntary social benefits.

(31) Net interest result

TEUR	2016	2015
Interest income	85	166
– of which with affiliated companies	0	0
Interest expenses	–2,931	–3,815
– of which with affiliated companies	0	–1
Net interest result	–2,846	–3,649

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

The net interest result includes expenses of TEUR 129 (previous year: TEUR 266) arising from reversing discounts applied to non-current provisions, and TEUR 0 (previous year: TEUR 4) 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	2016	2015
Financial assets and financial liabilities measured at fair value through profit or loss	110	4
Loans and receivables	-157	103

Net gains or net losses on financial instruments were not recognized directly in equity.

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.

(32) Income taxes

Earnings before tax amount to TEUR 9,543 (previous year: TEUR 16,265).

TEUR	2016	2015
Current taxes on income	-4,805	-4,789
Taxes on income relating to other periods	62	-633
Deferred tax	3,542	-255
- of which loss carryforwards	599	7
Total	-1,201	-5,677

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

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

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 tax rate reduced considerably year-on-year due to a special effect. Please see section 4.1 (7) for information about deferred tax on goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2016	2015
Earnings for the year before income taxes	9,543	16,265
Group income tax rate	32.79 %	31.17 %
Notional income tax expense in the financial year under review	3,129	5,071
Differences deriving from tax rate	70	95
Differing tax burdens (country-specific particularities)	0	97
Correction relating to a value adjustment to deferred tax assets relating to loss carryforwards	354	-141
Non-tax-deductible expenses	165	294
Income taxes relating to other periods/adjustment to previous years' deferred taxes	-2,240	172
Taxes borne by minority shareholders	-8	-138
Current-year tax calculation differences	5	98
Other	-274	129
Taxes on income	1,201	5,677
Effective tax rate	12.59 %	34.90 %

(33) Earnings per share (EPS)

Earnings per share amount to EUR 0.31. 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. Compared to the previous year, paid and received taxes as well as paid and received interest are now reported in the cash flow statement, and not, as previously, separately below the cash flow statement.

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.

Developments occur mainly as part of customer orders. Development costs totaling TEUR 4,408 were incurred in 2016 (previous year: TEUR 5,087). Of this amount, TEUR 2,902 was capitalized (previous year: TEUR 1,683) was capitalized pursuant to IAS 38 Intangible Assets. This corresponds to a 66 % capitalization rate (previous year: 33 %). Amortization and impairment losses of TEUR 1,339 were applied to development costs (previous year: TEUR 1,120).

Of the capitalized development costs, TEUR 2,902 (previous year: TEUR 1,525) is attributable to the Industrial Automation segment, and TEUR 0 (previous year: TEUR 158) to the Environmental Technology segment.

6.3. Risk management

General information about financial risks

The Group is exposed to various risks deriving from financial instruments. These are categorized as follows:

- Credit risk
- Liquidity risk
- Market price risk

Credit risks arise mainly from trade receivables. Gaging risks deriving from the project business definitely comprises a particularity in this context.

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 derived 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.

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. This entails functional separation between the companies' operative processing of the transactions, and the financial controlling function that is directed 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.

The focal aspect of risk management is steered via the operating business and financing activities. Derivative financial instruments are deployed only to reduce or avoid risks arising from the operating business. Section 6.3.3. on market price risks provides additional information about the derivative financial instruments.

Risk categories

6.3.1. Credit risk

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 10.4 % of the Group's trade receivables position exist in relation to one customer of very good credit standing. The Group manages credit risk on the basis of internal financial controlling.

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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 through the formation of valuation adjustments. Counterparty risk on derivative financial instruments is taken into account 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 low, 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- 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, 2016:

TEUR	Carrying amount 31.12.2016	Cash flow up to one year	Cash flow 1 to 5 years	Cash flow longer than 5 years
Non-derivative financial liabilities				
Financing liabilities	92,903	29,503	66,523	1,649
Trade payables (excluding prepayments received)	61,788	61,788	0	0
Other interest-bearing and non-interest-bearing liabilities	16,556	14,461	1,647	960
Cash outflows from derivative financial instruments				
– Currency derivatives	0	0	0	0
– Interest rate derivatives	–2	0	0	0
Cash inflows from derivative financial instruments				
– Currency derivatives	0	0	0	0
– Interest rate derivatives	–2	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 and discounted 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 rates are extrapolated based on estimated interest rates that are calculated on the basis of interest rates as of the date of the preparation of the financial statements.

Future cash outflows are basically covered by operating inflows. 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. Constant monitoring of key economic factors and relevant market information is applied in order to assess and appraise such risks.

The Group has established a centrally oriented risk management system for systematic risk recording and measurement. Continuous reporting occurs to the Management Board.

Currency risks

The Group's international orientation means that both its operating business and its reported financing and cash flows are exposed to risks emanating from fluctuations in foreign currency exchange rates. The Group's exchange rate risk is sales-driven, and consists mainly of the exchange rate between the US dollar and the euro. In particular, transaction risk, which consists of the fact that revenues are denominated in foreign currencies and the related costs are incurred euros, can exert a considerably negative effect on the Group's earnings 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 an obligation 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 currently holds no hedging instruments as of the reporting date.

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Financial instruments for currency hedging

	Nominal volume in TUSD		Fair value TEUR	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Forward currency transactions (sale)	0	1,313	0	-66
Currency options (USD puts)	0	500	0	0

	Nominal volume in TCHF		Fair value TEUR	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Forward currency transactions (sale)	0	249	0	-23

Pursuant to IFRS 7, the company prepares sensitivity analyses relating to market price risks that 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 that are denominated in a foreign currency are subject to a currency risk, and are consequently included in the sensitivity analysis.
- Currency 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 387 higher due to direct changes (previous year: TEUR 700 lower). If the euro were to have depreciated by 10% against the US dollar on the balance sheet date, consolidated equity would have been TEUR 473 lower due to direct changes (previous year: TEUR 855 higher).

If the euro were to have appreciated by 10% against the US dollar on the balance sheet date, consolidated net income would have been TEUR 9 lower (previous year: TEUR 145 lower). If the euro were to have depreciated by 10% against the US dollar on the balance sheet date, consolidated net income would have been TEUR 11 higher (previous year: TEUR 178 higher).

The risks deriving from the GBP, CNY, CHF 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 that was arranged in 2015. 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. An interest rate cap transaction also exists where the variable interest rate to be paid is limited to 4.15 %. The term of the transaction is Monday, December 31, 2018. An interest rate swap also exists which has a term until June 30, 2017.

TEUR	Nominal volumen		Fair Value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Interest-rate cap	240	240	0	2
Interest-rate swap	470	705	-2	-13

Pursuant IFRS 7, interest rate risks are presented by way of sensitivity analyses. These present 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 nonderivative 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, consolidated net income would have been TEUR 852 lower (previous year: TEUR 728 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 184 higher (previous year: TEUR 728 higher).

If the market interest rate level had been 100 basis points higher in the year under review, consolidated equity would have been TEUR 852 lower (previous year: TEUR 728 lower).

If the market interest rate level had been 100 basis points lower in the year under review, consolidated equity would have been TEUR 184 higher (previous year: TEUR 728 higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of earnings per share is based on the following data:

in TEUR	2016	2015
Basis for earnings per share	8,320	10,206

in thousands of shares	2016	2015
Number of shares as of December 31	26,794	26,794
Weighted average number of ordinary shares for earnings per share	26,794	26,794

No dilution of shares pursuant to IAS 33 occurred during the 2015 and 2016 financial years. The earnings per share for 2015 diverge minimally from the figure reported in the previous year due to the modified presentation of non-controlling interests. Earnings per share report the following changes:

in EUR	2016	2015	2014	2013	2012
Earnings per share	0.31	0.38	0.37	0.38	0.31

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.

In the Industrial Automation segment, the MAX Group operates together with NSM Magnettechnik-Gruppe, ELWEMA Automotive GmbH, IWM Automation-Gruppe, bdtronic-Gruppe, 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 operates together with the companies of the Vecoplan Group..

Section 2.10. the Group management report provides further information about the individual companies' operating activities.

Pursuant to IFRS 8, key segment data are published which are also reported regularly to the Group Management Board, and which 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 257,286 (previous year: TEUR 307,366) were attributable to projects, while TEUR 79,852 (previous year: TEUR 76,649) were attributable to business with service and spare parts.

No customer generated more than 10 % of consolidated revenue in 2016.

6.6. Events after the reporting period

On January 3, 2017, MAX Automation AG reported that with MAX Automation North America Inc. it has opened a location in Atlanta, the capital of the US state of Georgia. This company serves as a business hub for several MAX Automation AG Group companies in the Industrial Automation segment and employ staff in the service, commissioning, assembly and sales areas. From the Atlanta base, the Group companies particularly serve customers in the Midwest in the automotive and healthcare sectors. MAX Automation North America Inc. is expanding its network of sites on the North American continent. This comprises the Group companies' branch operations in South Carolina, Oklahoma and Mexico.

On January 4, 2017, MAX Automation AG acquired a 48 % interest in ESSERT GmbH, a company based in Ubstadt-Weiher near Karlsruhe in Baden-Württemberg. ESSERT is an expert in industrial automation, especially the digitalization of automation processes and development of related technology and software. MAX Automation's investment initially amounts to a minority investment. At the same time, the company receives an option to gradually increase its interest over the coming years. With its investment in ESSERT, MAX Automation AG is significantly expanding its expertise in developing software for Industry 4.0 applications as well as in collaborative robotics. This investment also generates important synergies with MAX Group subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.7. Other financial obligations

Other financial obligations amount to a total of TEUR 24,045 as of the reporting date (previous year: TEUR 18,758).

This relates mainly to TEUR 9,495 of obligations arising from rental and lease contracts (previous year: TEUR 6,381), and from leases in an amount of TEUR 9,304 (previous year: TEUR 11,396).

A total of TEUR 3,950 of obligations from other contracts relate to obligations for future investments in financial assets, which were realized in the first quarter of 2017.

Operating leases

Operating leases in the MAX Group mainly comprise real estate, cars, IT systems 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)
	2,036	4,528	2,931	9,495
Obligations from rental and lease agreements	(1,857)	(4,243)	(281)	(6,381)
	2,509	4,047	2,748	9,304
Lease obligations	(2,411)	(4,154)	(4,831)	(11,396)
	4,752	431	63	5,246
Obligations from other agreements	(461)	(447)	(73)	(981)

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 procure various services for, or from, related companies as part of their normal operating activities.

Such supply and service relationships are conducted on standard market terms. Services are rendered on the basis of existing contracts.

Related companies

Neither receivables nor payables exist in relation to the non-consolidated management companies.

Neither income nor expenses were generated or incurred with related companies in the financial year under review.

A non-pecuniary consulting agreement with Günther Holding GmbH was concluded with effect as of September 1, 2014.

Related individuals

Business transactions with related natural persons amounts to a total of TEUR 10 (previous year: TEUR 20).

These related 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 406 were incurred in the year under review (previous year: TEUR 396).

TEUR	2016	2015
Auditing services for financial statements	284	289
a) Services for the current year	260	249
b) Services for the previous year	24	40
2. Other certification services	38	37
3. Tax advisory services	25	25
4. Other services	59	45
Total	406	396

Other certification services comprise activities connected with corporate acquisitions (e.g. due diligence), and the review of the half-year report.

6.10. Management and Supervisory boards

Management Board members

Daniel Fink, Düsseldorf (member of the Management Board since April 1, 2016) **Management Board Chairman (Chief Executive Officer/CEO)**

Member of the following controlling bodies:

- President of the Foundation Council of the Foundation of the International School of Schaffhausen, Schaffhausen, Switzerland (until December 31, 2016)

Fabian Spilker, Düsseldorf **Chief Financial Officer**

Member of the following controlling bodies:

- Supervisory Board member of Vecoplan AG, Bad Marienberg

Total Management Board compensation

Expenses for Management Board remuneration totaled TEUR 505 (previous year: TEUR 524).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following amounts were granted to the Management Board of MAX Automation AG in the 2016 financial year:

Daniel Fink CEO assumed office April 1, 2016				
TEUR	2015	2016	2016 (min)	2016 (max)
Fixed compensation	0	240	240	240
Ancillary benefits	0	24	24	24
Total	0	264	264	264
One-year variable compensation (STIP)	0	0	0	0
Multi-year variable compensation (LTIP)	0	0	0	174
Total	0	264	264	438
Pension expense	0	0	0	0
Total compensation	0	264	264	438

Fabian Spilker CFO				
TEUR	2015	2016	2016 (min)	2016 (max)
Fixed compensation	170	220	220	220
Ancillary benefits	24	21	21	21
Total	194	241	241	241
One-year variable compensation (STIP)	199	0	0	0
Multi-year variable compensation (LTIP)	0	0	0	150
Total	393	241	241	391
Pension expense	0	0	0	0
Total compensation	393	241	241	391

The following amounts were granted to the Management Board of MAX Automation AG in the 2016 financial year:

Daniel Fink CEO assumed office April 1, 2016				
TEUR		Fabian Spilker CFO		
	2015	2016	2015	2016
Fixed compensation	0	240	170	220
Ancillary benefits	0	24	24	21
Total	0	264	194	241
One-year variable compensation (STIP)	0	0	200	159
Multi-year variable compensation (LTIP)	0	0	0	0
Total	0	264	394	400
Pension expense	0	0	0	0
Total compensation	0	264	394	400

Other Management Board compensation 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 Management Board member. Compensation arising from directors and officers insurance for the Management Board is not measurable as this relates to group insurance comprising a number of staff members.

Section 10.2. (compensation report) of the Group management report provides further related information.

Supervisory Board members

Gerhard Lerch, Hannover
Dipl.-Betriebswirt, Consultant
Supervisory 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 Supervisory Board Chairman

Member of the following controlling bodies:

- Deputy Supervisory Board Chairman of MeVis Medical Solutions AG, Bremen (until May 31, 2016)
- Supervisory Board member of Biesterfeld AG, Hamburg

Oliver Jaster, Hamburg
Member of the Administrative Board of Günther Holding SE, Hamburg
Supervisory Board member

Member of the following controlling bodies:

- Supervisory Board member of ZEAL Network SE, London
- Advisory Board Chairman of Langenscheidt GmbH & Co. KG, Munich (since November 15, 2016)
- Advisory Board Chairman of Günther Direct Services, Bamberg (since November 15, 2016)

Total Supervisory Board compensation

Supervisory Board compensation for 2016 amounted to TEUR 244 (TEUR 244).

TEUR	Basic compensation	Consultancy services	Total
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 October 14, 2015, Universal-Investment-Gesellschaft mbH, with headquarters in Frankfurt am Main, Germany, informed us that its percentage of voting rights pursuant to Section 21 (1), 22 (1) Clause 1 No. 6 WpHG fell below the threshold of 3 % on October 9, 2015, and amounts to 4.16 % as per this date (corresponds to 1,115,182 voting rights). Of these voting rights, 4.14 % (corresponds to 1,109,486 voting rights) are to be attributed to this company pursuant to Section 22 (1) Clause 1 No. 6 WpHG.

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 thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 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 January 14, 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 0 % on November 26, 2015. This technical notification of the shareholding occurred due to an 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 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 August 17, 2016, 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 3 % on December 8, 2016, and amounts to 3.18 % as per this date (corresponds to 851,992 voting rights).

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), 22 (1) Clause 1 No. 6 WpHG fell below 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.

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 as of March 24, 2016 the statement required by Section 161 of the German Stock Corporation Act (AktG), making it permanently available to shareholders by publishing it on the company's website at www.maxautomation.de.

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 for the 2016 financial year:

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

In the case of these companies, MAX Automation AG publishes by way of exemption its consolidated annual financial statements and Group management report in the German Federal Gazette (Bundesanzeiger).

Düsseldorf, March 28, 2017

The Management Board



Daniel Fink
CEO



Fabian Spilker
CFO

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS FOR 2016

of MAX Automation AG

Consolidated statement of changes in non-current assets of MAX Automation AG, Düsseldorf, for the 2016 financial year

		Cost					
	1.1.2016	Change in consolidation scope	Currency differences	Additions	Disposals	Reclassifica- tion	31.12.2016
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
I. Intangible assets							
1. Commercial concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	32,097	0	-55	748	-98	124	32,816
2. Internally generated intangible assets	7,431	0	0	2,902	0	0	10,333
3. Goodwill	63,104	0	11	0	0	0	63,115
4. Prepayments rendered	1,057	0	-2	93	-111	-82	955
	103,689	0	-46	3,743	-209	42	107,219
II. Property, plant and equipment							
1. Land and buildings	36,525	0	81	654	-158	3,109	40,211
2. Technical plant and machinery	15,041	0	8	929	-926	0	15,052
3. Other plant, office and operating equipment	17,632	0	53	1,781	-342	10	19,134
4. Plant under construction	668	0	0	1,095	-918	-134	711
5. Prepayments rendered	2,510	0	0	563	0	-3,027	46
	72,376	0	141	5,022	-2,344	-42	75,154
III. Investment property							
1. Land	479	0	0	0	-183	0	296
2. Buildings	19,594	0	0	0	-14,509	0	5,085
	20,073	0	0	0	-14,692	0	5,381
	196,138	0	96	8,765	-17,254	0	187,754

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

The adjustments to the previous year's figures are explained in the notes to the consolidated financial statements.

Cumulative depreciation/amortization/impairment losses						Carrying amounts		
1.1.2016	Changes in consolidation scope	Currency differences	Additions	Disposals	Reclassification	31.12.2016	31.12.2016	31.12.2015
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
19,352	0	-55	5,615	-12	0	24,900	7,916	12,745
2,339	0	0	1,339	0	0	3,678	6,655	5,092
9,978	0	-2	0	0		9,976	53,139	53,126
47	0	-2	85	0	0	130	825	1,010
31,716	0	-59	7,039	-12	0	38,684	65,535	71,973
16,419	0	22	1,232	-157	0	17,516	22,695	20,106
10,019	0	12	1,830	-482	0	11,380	3,672	5,022
13,404	0	32	1,476	-279	0	14,633	4,501	4,228
0	0	0	0	0	0	0	711	668
0	0	0	0	0	0	0	46	2,510
39,842	0	67	4,538	-918	0	43,529	31,625	32,534
0	0	0	0	0	0	0	296	479
16,107	0	0	463	-12,593	0	3,977	1,108	3,487
16,107	0	0	463	-12,593	0	3,977	1,404	3,966
87,665	0	8	12,040	-13,523	0	86,190	101,564	108,473

CONSOLIDATED STATEMENT OF CHANGES IN NON-CURRENT ASSETS FOR 2015

of MAX Automation AG

Consolidated statement of changes in non-current assets of MAX Automation AG, Düsseldorf, for the 2015 financial year

		Cost					
	1.1.2015	Change in consolidation scope	Currency differences	Additions	Disposals	Reclassifica- tion	31.12.2015
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
I. Intangible assets							
1. Commercial concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	28,078	3,748	123	1,119	-1,067	96	32,097
2. Internally generated intangible assets	5,709	144	0	1,683	-9	-96	7,431
3. Goodwill	55,959	7,663	49	0	-567	0	63,104
4. Prepayments rendered	441	0		616	0	0	1,057
	90,187	11,555	172	3,418	-1,643	0	103,689
II. Property, plant and equipment							
1. Land and buildings	57,749	0	256	681	-2,278	-19,883	36,525
2. Technical plant and machinery	23,719	32	28	1,287	-9,938	-87	15,041
3. Other plant, office and operating equipment	22,119	302	167	1,346	-6,306	4	17,632
4. Plant under construction	208	0	0	523	-5	-58	668
5. Prepayments rendered	49	0	0	2,510	0	-49	2,510
	103,844	334	451	6,347	-18,527	-20,073	72,376
III. Investment property							
1. Land	0	0	0	0	0	479	479
2. Buildings	0	0	0	0	0	19,594	19,594
	0	0	0	0	0	20,073	20,073
	194,031	11,889	623	9,765	-20,170	0	196,138

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

The adjustments to the previous year's figures are explained in the notes to the consolidated financial statements.

Cumulative depreciation/amortization/impairment losses						Carrying amounts		
1.1.2015	Changes in consolidation scope	Currency differences	Additions	Disposals	Reclassification	31.12.2015	31.12.2015	31.12.2014
TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
14,633	34	113	5,610	-1,038	0	19,352	12,745	13,445
1,121	98		1,120	0	0	2,339	5,092	4,588
9,968	0	9	406	-405	0	9,978	53,126	45,991
47	0	0	0	0	0	47	1,010	394
25,769	132	122	7,136	-1,443	0	31,716	71,973	64,418
32,369	0	51	1,315	-1,256	-16,060	16,419	20,106	25,380
15,452	30	-6	2,139	-7,560	-36	10,019	5,022	8,267
16,760	207	97	1,761	-5,410	-11	13,404	4,228	5,359
0	0	0	0	0	0	0	668	208
0	0	0	0	0	0	0	2,510	49
64,581	237	142	5,215	-14,226	-16,107	39,842	32,534	39,263
0	0	0	0	0	0	0	479	0
0	0	0	0	0	16,107	16,107	3,487	0
0	0	0	0	0	16,107	16,107	3,966	0
90,350	369	264	12,351	-15,669	0	87,665	108,473	103,681

GROUP AUDIT CERTIFICATE

and responsibility statement

Copy of the audit certificate

Concerning the compliance of the consolidated financial statements as of December 31, 2016, which are attached as annexes 1 to 8, with International Financial Reporting Standards (IFRS), and of the management report for the company and the Group for the 2015 financial year (annex 9), we have issued the following audit certificate that is reproduced here:

We have audited the consolidated financial statements prepared by MAX Automation Aktiengesellschaft, Düsseldorf – consisting of balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated statements – as well as the management report for the company and the Group for the financial year from January 1 until December 31, 2016. The company's legal representatives are responsible for the preparation of the consolidated financial statements and management report for the company and the Group according to IFRS as applicable in the EU, and German commercial law regulations that are to be applied additionally pursuant to Section 315 a (1) of the German Commercial Code (HGB). Our task is to issue an assessment of the consolidated financial statements and the management report for the company and the Group on the basis of the audit that we conduct.

We conducted our audit pursuant to Section 317 of the German Commercial Code (HGB) in compliance with proper German auditing principles as promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). Accordingly, the audit is to be planned and conducted so as to allow incorrect information and infringements that significantly affect the presentation of the view of the financial position and performance conveyed by the consolidated financial statements in compliance with applicable accounting regulations, and by the management report for the company and the Group, to be identified with sufficient certainty. When determining audit actions, knowledge about the Group's operating activities, and economic and legal environment, as well as expectations in relation to potential errors, are taken into account. As part of the audit, the efficacy of the accounting-related internal controlling system, and evidence for the disclosures in the consolidated financial statements and the report on the company and the Group, are appraised primarily on the basis of random sampling. The audit comprises an assessment of the annual financial statements of the companies included in the consolidated financial statements, the demarcation of the scope of consolidation, the accounting and consolidation principles applied, and the significant estimates made by the legal representatives, as well as an appraisal of the overall presentation of the consolidated financial statements and the management report on the company and the Group. We are of the opinion that our audit forms a sufficiently secure basis for our assessment.

Our audit has resulted in no qualifications.

On the basis of our assessment based on the knowledge gained from the audit, the consolidated financial statements correspond to IFRS as applicable in the EU and the German commercial law regulations that are also to be applied pursuant to Section 315 a (1) of the German Commercial Code (HGB), and convey in compliance with such regulations a true and fair view of the Group's financial position and performance. The management report on the company and the Group is in harmony with the consolidated financial statements, complies with legal regulations, conveys overall an appropriate view of the Group's position, and suitably presents the opportunities and risks pertaining to future development.

Hannover, March 29, 2017

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Wilfried Steinke	Steffen Fleitmann
Certified Public Auditor	Certified Public Auditor

Responsibility statement

To the best of my 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, which is combined with the management report for MAX Automation AG, to convey a true and fair view, and that the significant opportunities and risks pertaining to the Group's prospective development are described.

Düsseldorf, March 28, 2017

MAX Automation AG

The Management Board



Daniel Fink



Fabian Spilker

SUBSIDIARIES

MAX Automation AG, Düsseldorf, List of shareholdings as of December 31, 2016

a) Companies included in the consolidated financial statements

Name and headquarters of company		Interest in capital (%)
Subsidiaries of MAX Automation AG:		
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
Vecoplan AG	Bad Marienberg	100
Subsidiaries of MAX Management GmbH:		
AIM Micro Systems GmbH	Triptis	100
ELWEMA Automotive GmbH	Ellwangen	100
Rohwedder Macro Assembly GmbH	Bermatingen	100
MA micro automation GmbH	St. Leon-Rot	100
Subsidiaries of bdtronic GmbH:		
bdtronic BVBA	Diepenbeek, Belgien	100
BARTEC Dispensing Technology Inc.	Tulsa, Oklahoma, USA	100
bdtronic Ltd.	Ashton under Lyne, UK	100
bdtronic S.r.l.	Monza, Italien	100
bdtronic Suzhou Co. Ltd.	Suzhou, China	100
Subsidiaries of IWM Automation GmbH:		
IWM Automation Polska Sp.z o.o.	Chorzow, Polen	100
Subsidiaries of NSM Magnettechnik GmbH:		
NSM Packtec GmbH	Ahaus	100
iNDAT Robotics GmbH	Ginsheim-Gustavsburg	100
Second-tier subsidiaries and subsidiaries of Vecoplan AG:		
Vecoplan Holding Corporation	Wilmington, Delaware, USA	100
Vecoplan LLC	Archdale, North Carolina, USA	100
(Tochterunternehmen der Vecoplan Holding Corporation)		
Vecoplan Midwest LLC	Floyds Knobs, Indiana, USA	61
(Tochterunternehmen der Vecoplan LLC)		
Vecoplan Limited	Birmingham, UK	100
Vecoplan Austria GmbH	Wien, Österreich	100
Vecoplan Iberica S.L.	Mungia-Biskaia, 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 Vecoplan AG:		
Vecoplan FuelTrack GmbH i.L.	Bad Marienberg	49

c) Companies not included in the consolidated financial statements

Name and headquarters of company		Interest in capital (%)
Subsidiaries of MAX Automation AG:		
Altmayer Verwaltungs GmbH	Rehlingen	100

ENVIRONMENTAL TECHNOLOGY CORE SEGMENT

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).

Management Board	Werner Berens
Interest held	100 %
Employees (year average)	437
Year of foundation	1969
Member of MAX Group since	1995
www.vecoplan.de	

INDUSTRIAL AUTOMATION CORE SEGMENT

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, filling and sealing machines. Through combining individual business areas' applications, the company develops systems solutions for its customers on a „one-stop-shop“ basis with many added values.

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.

The area for machines for forming, filling and enclosures develops and builds comprehensive plant systems for the dairy, yogurt and fruit juice industries. Special significance is attributable in this context to subsidiary NSM Packtec GmbH, which has its headquarters in Ahaus (North Rhine Westphalia): the company possesses extensive expertise in plants for the filling and packaging of foodstuffs in the dairy industry and alcohol-free beverages industry.

NSM Magnettechnik specializes in supplying and commissioning turnkey systems. Extensive service offerings round out this spectrum. The Group supplies to customers worldwide from 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 Directors	Jens Ohnholz
Interest held	100 %
Employees (year average)	256
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 operates for 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 Directors	Antonio Alvarez Vega
Interest held	100 %
Employees (year average)	165
Year of foundation	2006
Member of MAX Group since	2013
www.elwema.de	

INDUSTRIAL AUTOMATION CORE SEGMENT

IWM Automation GmbH

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 Directors	Peter Rothgang
Interest held	100 %
Employees (year average)	142
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 competences 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 Directors	Patrick Vandenruijn
Interest held	100 %
Employees (year average)	217
Year of foundation	2001
Member of MAX Group since	2004
www.bdtronic.de	

INDUSTRIAL AUTOMATION CORE SEGMENT

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 competences in actuators, sensors and optical systems, meeting the highest technological standards in terms of assembly speed and precision. The company operates for 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 Directors	Joachim Hardt
Interest held	100 %
Employees (year average)	121
Year of foundation	2010
Member of MAX Group since	2013
www.iwm-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 ranges from project planning and 3D simulation to engineering, software development and mechanical engineering. The company has the necessary process knowledge and 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 Directors	Christoph Laeis
Interest held	100 %
Employees (year average)	100
Year of foundation	1994
Member of MAX Group since	2015
www.indat.net	

INDUSTRIAL AUTOMATION CORE SEGMENT

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 Directors	Edgar Mörtl
Interest held	100 %
Employees (year average)	124
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 Directors	Jens Ohnholz
Interest held	100 %
Employees (year average)	91
Year of foundation	1986
Member of MAX Group since	1998
www.juecker-germany.de	

INDUSTRIAL AUTOMATION CORE SEGMENT

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 automotive and medical technology industries, as well as for the sensor and laser 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 Directors	Dr. Andreas Fischer
Interest held	100 %
Employees (year average)	11
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 in 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 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 Directors	Christopher Essert
Interest held	48 %
Employees (year average)	32
Year of foundation	2009
Member of MAX Group since	2017
www.essert.com	

INDUSTRIAL AUTOMATION CORE SEGMENT

MAX North America Inc.

Headquartered in Atlanta, Georgia, 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 Directors	Edgar Bechtle
Interest held	100 %
Employees (year average)	-
Year of foundation	2017
Member of MAX Group since	2017
www.maxautomation.de	

2017 financial calendar

Quarterly financial report for Q1: May 15, 2017

Half-year financial report 2017: August 15, 2017

Quarterly financial report for Q3: November 15, 2017

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

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 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-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 cover

Interest cover is the ratio between EBIT and interest expense.

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 of 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.

GLOSSARY

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 stockmarket 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-Methode

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.)

Gearing

Gearing is the ratio between debt and equity.

W WACC

Weighted Average Cost of Capital; lenders' prescribed minimum interest claim.

Working Capital

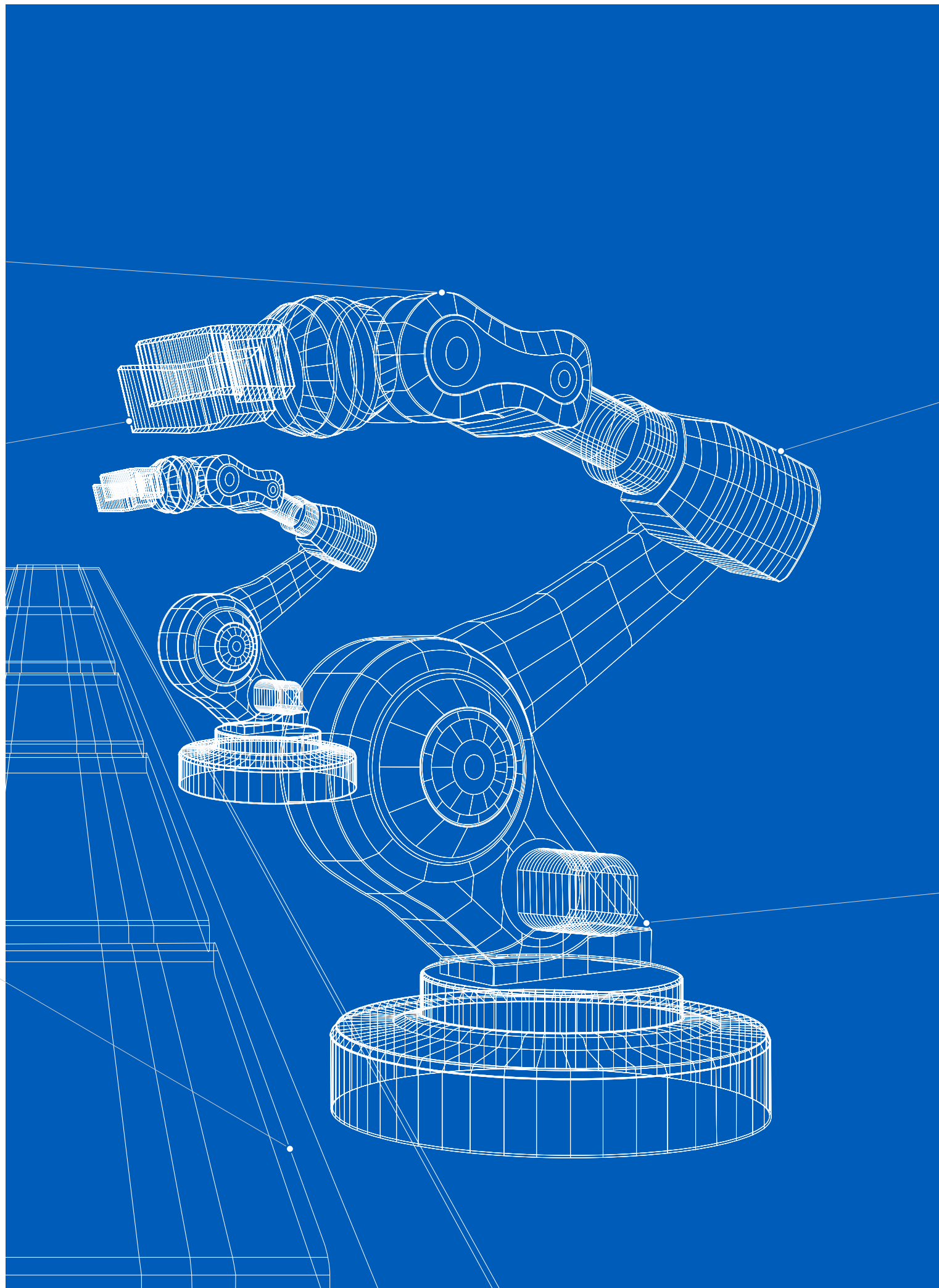
Working capital within the MAX Group is calculated as inventories plus trade receivables less trade payables.

WpHG

Wertpapierhandelsgesetz (German Securities Trading Act)

WpÜG

Wertpapiererwerbs- und Übernahmegesetz (German Securities Acquisition and Takeover Act)



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