Delignit
AKTIENGESELLSCHAFT

Annual Report 2018

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Annual Report 2018

Delignit AG

Content

Brief portrait of Delignit AG

Delignit AG develops, manufactures and sells ecological, usually hard-wood-based, materials and system solutions based on the natural, renewable and CO_2-neutral raw material, wood.

As a development, project and serial supplier for technology industries, such as the automotive industry, aviation industry and rail industry, today the focus of business activity is on creating and implementing technological and customised applications and systems.

These applications and systems are used in the form of specific – predominantly ready-to-install – parts, components, as well as system solutions and module solutions. The foundation in this regard is the Delignit material, which is essentially based on beech wood. Use of Delignit materials as a substitute for applications from non-renewable raw materials improves the environmental balance of our customers products and meets their increasing ecological requirements.

The operative business of Delignit AG is divided into two target markets:

Target market Automotive:

The Automotive target market is divided into the product groups LCV (light commercial vehicle), motor caravans and passenger cars. The focus of business activity is manufacture and sale of cargo bay protection systems and safety equipment (interior) for the light commercial vehicle (LCV) class. For example, these systems are used extensively by leading manufacturers of light commercial vehicles as original equipment (OEM) and retrofit equipment (after-sales) as cargo bay floors, walls and partitions. Interior furnishings, such as cabinet systems, are supplied for the motor caravan sector. In the passenger car sector, for example, trunk floors are used by well-known OEMs.

Target market Technological Applications:

The products of the target market Technological Applications are divided into the product groups Building Equipment, Compressed Wood, Railfloor and Special Applications. In the Building Equipment business, for example, flooring solutions for automakers' manufacturing plants, as well as for goods distribution centres and beech multiplex assortments are supplied via the timber trade. The Compressed Wood business consists of highly-compressed and medium-compressed materials that are used for plant construction, machine construction and transformer construction applications. The Railfloor business provides manufacturers of rail vehicles with floor system solutions for fulfilment of international fire protection and noise protection concepts. The Special business includes various special products for applications, such as model making, musical instruments and sports equipment.

Delignit Group at a glance

Fiscal year (01/01 – 31/12)	2018 IFRS	2017 IFRS	Δ 2018/ 2017
Earnings figures	**T€**	**T€**	**%**
Revenues	**60,273**	**52,683**	**14.4 %**
Operating performance	60,803	52,745	15.3 %
Cost of materials	-33,937	-29,275	15.9 %
Personnel costs	-16,330	-14,583	12.0 %
Other operating expenses	-4,897	-4,022	21.8 %
EBITDA	5,639	4,865	15.9 %
EBITDA margin	*9.3 %*	*9.2 %*	*0.1 %**
EBIT	4,024	3,132	28.5 %
EBIT margin	*6.6 %*	*5.9 %*	*0.7 %**
EBT	3,842	2,936	30.9 %
EBT margin	*6.3 %*	*5.6 %*	*0.8 %**
Consolidated net income	**2,572**	**1,928**	**33.4 %**
Number of shares	8,193,900	8,193,900	0.0 %
EPS in	0.31	0.24	33.4 %

Balance sheet figures	**T€**	**T€**	**%**
Non-current assets	18,815	17,282	8.9 %
Current assets	19,510	15,266	27.8 %
Liquid assets contained therein	298	942	-68.4 %
Subscribed capital (share capital)	8,194	8,194	0.0 %
Other equity	10,452	8,314	25.7 %
Total equity	18,646	16,508	13.0 %
Equity ratio	*48.7 %*	*50.7 %*	*-2.1 %**
Non-current liabilities and provisions	5,817	6,581	-11.6 %
Current liabilities and provisions	13,862	9,459	46.5 %
Balance sheet total	**38,325**	**32,548**	**17.7 %**
Net financial debt (net debt (-) / net cash (+))	-7,824	-4,038	93.8 %

Employees (reporting date 31/12)			
Germany	361	330	9.4 %

*Change in percentage points

Greetings from the Management Board

Dear shareholders,

2018 was another eventful year for Delignit AG. We grew faster than anticipated and exceeded the €60 million mark for the first time. Group revenue rose year-on-year by 14 % to €60.3 million, exceeding the revenue guidance published at the beginning of the year. At 9.3 %, the earnings margin before interest, taxes, depreciation and amortisation (EBITDA margin) was slightly above the previous year margin of 9.2 %. Thus EBITDA rose to €5.6 million in 2018 from €4.9 million in the previous year. We were also able to significantly increase consolidated net income from €1.9 million in 2017 to €2.6 million in fiscal 2018.

In the Automotive target market, which in our view continues to perform well, the light commercial vehicles business, in particular, contributed to the dynamic sales growth. In this regard, the main drivers were high call-off volumes from series supply contracts and increased demand for our system solutions in the cargo securing business. Specifically, growth in the Automotive business amounted to 24 %. Moreover, in the past fiscal year, the first series production order in the motor caravan business also signalled the transfer of the successful business model into an additional business field. For series production of the equipment components of a new model coming onto the market, considerable preliminary work was done in the area of product development – but also for new plant technology – to ensure start of production (SOP). Conversely, the target market, Technological Applications, was confronted with heterogeneous business development in 2018. Declining sales in the area of solutions for building equipment and in the business of trading with standard goods could not be compensated by a strong supply business in the area of rail transport solutions.

International business continues to be outstanding. With its strategic orientation toward geographic expansion, Delignit AG was able to increase its export share from approximately 37 % in 2017 to 44 % in 2018. Delignit North America Inc., which commenced its operative business for the North American market in fall 2018, will also contribute to the positive development in the future.

The record results of the past year, paired with the positive operating development, confirm our confidence in the further development of our business.

In this regard, the strategic objective remains the expansion of system and development expertise in the coming years. In line with this objective, we were able to present a newly developed product range for rail transport applications at Innotrans 2018, the world's largest trade fair for rail transport technology, and position ourselves as an innovation driver in a growing market environment.

We accomplished a lot in fiscal year 2018 and consider Delignit AG to be well-equipped for sustained revenue growth in the coming years. This would not be possible without the tireless commitment and collegial team spirit of our employees. Accordingly, we would like to take this opportunity to express our sincere thanks to our employees for their efforts and commitment. We also thank our business partners, for their trust and constructive cooperation. Not least, we would like to express our appreciation to you, dear shareholders for your trust. We would be pleased if you would continue to accompany the development of Delignit AG.

Kind regards

Markus Büscher	Thorsten Duray
CEO	CSO

The Management Board

Markus Büscher

Markus Büscher is Chairman of the Management Board. His responsibilities include the areas Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D divisions as well as Investor Relations. Mr Büscher is a business economist (VWA). Until 2003, Mr Büscher was commercial director and company officer with statutory authority at klr-mediapartner GmbH & Co. KG. In 2003, Mr Büscher moved to Freund Victoria Gartengeräte GmbH as managing director, where he was responsible for the main areas of the company as spokesman for the management board. In 2007 he joined the Delignit Group as CEO.

Thorsten Duray

Thorsten Duray is a member of the Company's Management Board. He is responsible for marketing and sales. Mr Duray completed professional training as an industrial manager and business administrator in the field of marketing. Since 1991 he has worked for Blomberger Holzindustrie GmbH in various positions, initially in sales promotion and marketing. Since 2001, he has significantly built up the Commercial Vehicle Equipment unit as Team Leader Sales. In 2006 he became Head of Sales and Marketing. Since 01 January 2007 he has been a Member of the Management Board of Blomberger Holzindustrie GmbH.

The Management Board team
Markus Büscher (CEO) und Thorsten Duray (CSO)

Report of the Supervisory Board

1. Reporting

In accordance with the duties and responsibilities imposed by law and the statutes, the Supervisory Board kept itself continuously informed of the Company's business and strategic development, as well as current events and all material business transactions during the fiscal year. Thus, the Supervisory Board was always aware of the business policy, the planning of the Company, the risk situation, as well as the net assets, financial position and results of operations of Delignit AG and the Delignit Group.

This occurred both in regular personal discussions between the Chairman of the Supervisory Board and the members of the Management Board and in the course of the Supervisory Board meetings held on 20 March 2018, 19 June 2018, 12 September 2018 and 22 November 2018, in which all Supervisory Board members participated personally. As part of the individual meetings, the Supervisory Board together with the Management Board analysed the current business development and discussed the strategic orientation. If specific transactions required the approval of the Supervisory Board in accordance with the statutes or legal provisions, the Supervisory Board reviewed these transactions and decided on the approval of these transactions. The discussions extended to the economic situation of Delignit AG, as well as that of the individual subsidiaries. Moreover, outside of the meetings, all members of the Supervisory Board were kept informed by the Management Board concerning the course of these transactions at all times. There were no indications of conflicts of interest on the part of members of the Management Board and Supervisory Board, which must be disclosed to the Supervisory Board without delay.

In June 2018, the Management Board informed the Supervisory Board that it would realise a large proportion of the shares ready for exercise under Stock Option Programme I (Management Board contracts 2013). Due to the amount to be paid out, the Supervisory Board adopted a separate resolution on 28 June 2018 confirming that the calculation was correct and that the shares were ready for allocation. To assess whether the calculation was in conformance with the contract, a position statement drawn up by the law firm McDermott Will & Emery Rechtsanwälte Steuerberater LLP, Frankfurt was submitted to the Supervisory Board. The assessment of economic viability was also reviewed and confirmed by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne.

2. Organisation

Personnel changes did not occur in Supervisory Board or in the Management Board. The Supervisory Board of Delignit AG has three members. This assures efficient work. In the opinion of the Supervisory Board, this number of Supervisory Board members is appropriate for the size of the company. For these reasons, the Supervisory Board has not yet formed any committees. The Supervisory Board of Delignit AG consists of Dr Christof Nesemeier Mr Gert-Maria Freimuth and Mr Anton Breitkopf. The Supervisory Board was elected in its current composition when the company became a public limited company on 9 July 2007 and was re-elected in its previous composition in the General Meeting of 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as chairman and Mr Gert-Maria Freimuth as his deputy, on 20 June 2017 The period of office will end with the close of the General Meeting that will decide on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

3. Annual financial statements

The Supervisory Board duly commissioned Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, the auditors appointed by the General Meeting to audit the annual financial statements and the consolidated financial statements for the 2018 fiscal year. The auditor has submitted a declaration of independence to the Supervisory Board.

The annual financial statements of Delignit AG as of 31 December 2018 were prepared in accordance with the principles of the German Commercial Code (HGB), the consolidated financial statements and the group management report for Delignit AG as of 31 December 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) and audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which was elected by the General Meeting and commissioned by the Chairman of the Supervisory Board, and an unqualified audit opinion was issued on 20 March 2019 for Delignit AG and for the Delignit Group. Moreover, the report of the Management Board of Delignit AG concerning the relationships to affiliated companies in accordance with section 312 of the German Stock Corporation Act (AktG) (dependency report) was audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, and an unqualified audit opinion was issued on 20 March 2019.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the group management report, the consolidated financial statements, the proposal for the appropriation of net retained profits and the dependent company report in accordance with sections 171, 314 AktG, discussed them in detail with the auditor at the Supervisory Board meeting on 28 March 2019 and received reports from the auditor on the main results of its audit, including the audit of the internal control system and risk management system. The auditor comprehensively answered all questions posed by the Supervisory Board. The Supervisory Board received the auditor's reports in good time and acknowledged and approved the results of the audit. Following the concluding result of the review undertaken by the Supervisory Board, no objections were raised concerning the annual financial statements, the proposal for appropriation of earnings, the group management report, the dependent company report, the declaration by the Management Board concerning relations with affiliated companies and the consolidated financial statements. The annual financial statements and the consolidated financial statements were approved by the Supervisory Board on 28 March 2019. The annual financial statements of Delignit AG are thus adopted.

The Supervisory Board shares the Management Board's assessment of the situation in the group management report and concurs with the Management Board's proposal for the appropriation of earnings.

The Supervisory Board would like to thank the Management Board, the management of the Group companies and all employees of the Delignit Group for their outstanding commitment and the results achieved in the past fiscal year.

Blomberg, 28 March 2019

Dr Christof Nesemeier
Chairman of the Supervisory Board

The Supervisory Board

Dr Christof Nesemeier
Chairman of the Supervisory Board

Dr Christof Nesemeier is Chairman of the Supervisory Board of Delignit AG. He is a member of the Board of Directors and Managing Director (CEO) of MBB SE, Berlin, and a member of the Supervisory Board of Aumann AG, Beelen. Dr Nesemeier studied economics at the University of Münster and received his doctorate at the University of St. Gallen, Switzerland.

Gert-Maria Freimuth
Deputy Chairman of the Supervisory Board

Mr Gert-Maria Freimuth is Deputy Chairman of the Supervisory Board of Delignit AG and Chairman of the Board of Directors of MBB SE, Berlin, Chairman of the Supervisory Board of DTS IT AG, Herford, and Chairman of the Supervisory Board of Aumann AG, Beelen. Mr Freimuth studied economics and Christian social ethics at the University of Münster and is a founding shareholder of MBB SE alongside Dr Nesemeier.

Anton Breitkopf
Member of the Supervisory Board

Mr Anton Breitkopf is a member of the Supervisory Board of Delignit AG. He studied business administration at the Cologne University of Applied Sciences and worked in finance and controlling at Daimler Benz until 1998. He is a member of the Administrative Board of MBB SE, Berlin, and a member of the Supervisory Board of DTS IT AG, Herford.

Dr Christof Nesemeier
Chairman of the Supervisory Board

Gert-Maria Freimuth
Deputy Chairman of the Supervisory Board

Anton Breitkopf
Member of the Supervisory Board

Group management report for the 2018 fiscal year
Delignit AG, Blomberg

1. General description of the company

The Delignit Group develops, produces and sells ecological materials and system solutions from renewable raw materials under the brand name Delignit. As a recognized development, project and serial supplier of leading automotive groups, the Delignit Group is, among other things, world market leader for supplying the automotive industry with cargo bay protection and cargo securing systems for light commercial vehicles. With an industry-wide variety of applications and manufacturing range, the Delignit Group serves numerous other technology sectors, for example: as a worldwide system supplier of reputable rail stock manufacturers. Delignit solutions have exceptional technical properties and are furthermore, in addition to other applications used as trunk floors, interior equipment for motor caravans, building equipment and security solutions.

Delignit material is predominantly based on European hardwood, is CO_2 neutral in its life cycle and therefore ecologically superior to non-regenerative materials. The use of the Delignit material therefore improves the environmental performance of customer products and meets their increasing ecological requirements. The company was founded over 200 years ago. The Delignit AG is listed in the Scale Segment of the Frankfurt Stock Exchange.

2. Business and framework conditions

In 2018 the economic situation in Germany was characterised by stable economic growth. According to initial calculations by the Federal Statistical Office, the price-adjusted gross domestic product grew by 1.5 % compared to the previous year. Thus the German economy has grown for the ninth year in succession, although growth has lost momentum. In each of the previous two years, the price-adjusted gross domestic product had increased by 2.2 %. A longer-term view shows that German economic growth in 2018 is still above the average of +1.2 % of the last ten years (source: Federal Statistical Office).

Growth impetus in 2018 primarily came from the domestic market. Private consumer spending (+1.0 %), as well as government spending (+1.1 %) were higher than in the previous year. However, growth was significantly lower than it has been in the last three years.

In 2018, price-adjusted gross fixed capital formation again increased significantly by 4.8 %. In equipment, mainly machinery, devices and vehicles, 4.5 % more was invested in real terms than was invested in the previous year.

German exports also continued to grow on average in 2018, but not as strongly as in previous years. Price-adjusted exports of goods and services were 2.4 % higher than in the previous year, while imports grew more strongly by 3.4 % in the same period (source: Federal Statistical Office).

Compared with the previous year the economic outlook within the EU deteriorated in 2018 due to various uncertainties. The 2019 Winter Economic Forecast published by the European Commission on 7 February 2019 predicts that the gross domestic product of the euro zone will grow by only 1.9 % in 2018, following growth of 2.4 % in the previous year. Economic momentum was subdued at the beginning of the year, but the fundamental factors remain positive. Uncertainties arose from the risk that the Chinese economy could lose more momentum than initially expected and that global financial markets and many emerging markets would be susceptible to abrupt changes (source: Winter 2019 Economic Forecast of the European Commission).

The special target markets of the Delignit Group, i.e. the markets in the automotive sector and the engineered wood industry, developed differently in the first five months of fiscal 2018.

The number of new registrations of light commercial vehicles in Europe increased by 3.1 % compared with the previous year, following growth of 3.9 % in 2017. In particular, the larger markets for light commercial vehicles lost some of their momentum in 2018. Thus growth in vehicle registration figures in Spain dropped from 15.5 % in the previous year to 7.8 % and growth in France dropped from 7.1 % to 4.6 %. The number of registrations in Italy and Great Britain fell by as much as 6.0 % and 1.3 %, respectively, compared with the previous year (source: ACEA).

The number of registrations in the German market which is important for the Delignit Group, increased in the sector of light commercial vehicles by 5.4 % (PY 4.9 %), whereas the number of new registrations in the passenger car market declined by 0.2 % (PY 3.4 %) compared to the previous year (source: ACEA).

In the markets of the engineered wood industry, sales in Germany from January to November 2018 declined moderately by 0.3 % (PY +1.3 %). Although virtually all growth rates in the first half of 2018 were positive, sales in the engineered wood industry declined significantly in the second half of the year. Particularly in September and November sales only reached 92.5 % and 93.4 % respectively of the previous year's level. On the other hand, international revenues of the engineered wood industries showed a marked upturn. Here, growth of 1.9 % was achieved in the first eleven months (PY 3.1 %) (source: Association of the German Wood-based Panel Industry (Verband der Deutschen Holzwerkstoffindustrie).

3. Market environment of the Delignit Group

In fiscal year 2018, the Delignit Group's revenues increased by 14.4 % to T€60,273 (PY T€52,683). Thus, for the first time in the history of the company, the Delignit Group was able to generate a revenue level of more than €60 million. Revenues have increased by an average of 11.3 % per year since fiscal year 2010 and in a multi-year comparison have developed as shown in the Fig. below:

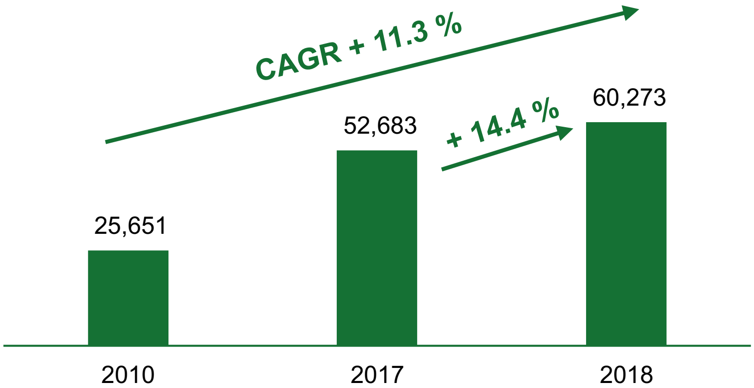

Fig. I: Revenue development since 2010 for the Delignit Group in T€

In the target market Automotive it was possible to increase revenues by 23.8 % (PY +7.0 %). Contributing materially to this increase was the strong ongoing OEM business (OEM = Original Equipment Manufacturer; in this context the English synonym for automobile manufacturers), and a continued increasing equipment ratio pursuant to the corporate strategy "more revenue per vehicle".

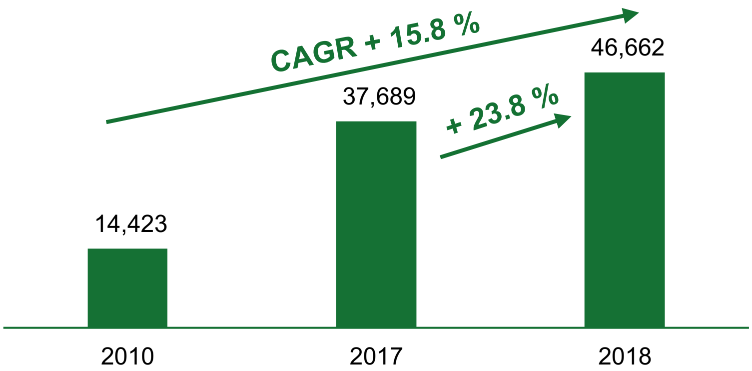

Fig. II: Revenue in the target market Automotive since 2010, in T€

In the Technological Applications target markets, it was not possible to maintain the 12.3 % increase in revenue achieved in the previous year. Relatively weak sales in the Building Equipment and Standard segments resulted in a cumulative decline in revenue of 9.3 % in these markets in spite of further revenue growth in the target market Rail.

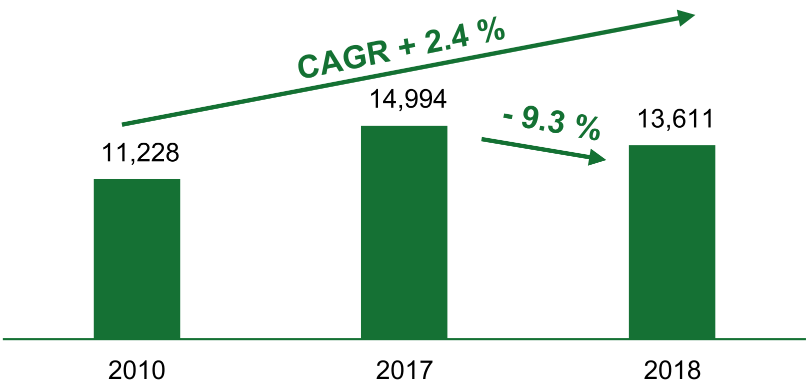

Fig. III: Revenue in the target market Technological Applications since 2010, in T€

From a geographical perspective, the Delignit Group's revenue growth in fiscal year 2018 was again primarily driven by the export markets, while domestic German revenues increased only slightly by approximately 2 %. Thus the Group was able to increase the export ratio to 43.7 % (PY 36.8 %), which equals export revenues of T€26,328 (PY T€19,396).

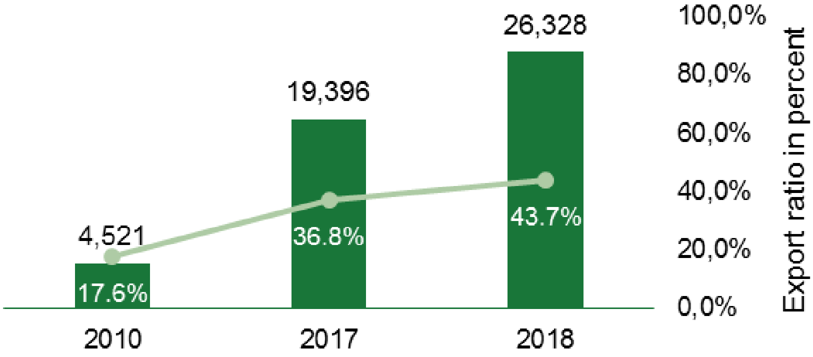

Fig. IV: Export development in T€

In summary, it can be stated that the Delignit Group continued to develop quite successfully in the past fiscal year and for the most part was able to outperform its target markets. The wood-based products of the Delignit Group are characterised by special technical and mechanical properties (e.g. abrasion-resistance and wear resistance, dimensional stability and breaking load), however they are also characterised by their ecological aspects. Wood products are long-term repositories for climate-damaging CO_2: One cubic metre of wood absorbs almost one ton of carbon dioxide. This strong, and in some cases disproportionately high, growth in revenue already achieved over several years, compared to the development in the target markets, substantiates the good market position of the Delignit Group. Based on material competence, coupled with application and system competence that is higher than what is customary on the market, the Delignit Group has created an excellent framework for further growth.

4. Organisation

a. Supervisory Board

The Supervisory Board of Delignit AG has three members, Dr Christof Nesemeier Gert-Maria Freimuth and Mr Anton Breitkopf. The Supervisory Board was elected in its current composition when the company was founded on 9 July 2007 and was re-elected in its previous composition in the General Meeting on 10 July 2012 and 20 June 2017. The Supervisory Board elected Dr Christof Nesemeier as chairman and Mr Gert-Maria Freimuth as his deputy. The period of office will end with the close of the General Meeting that will decide on formal approval of the actions of the members of the Supervisory Board for fiscal year 2021.

b. Management Board

The task areas of the Management Board are distributed as follows:

CEO Markus Büscher is responsible for the areas Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D, as well as Investor Relations. Mr Thorsten Duray is responsible for the Sales and Marketing areas.

Rules of procedure for the Management Board were adopted by a resolution of the Supervisory Board of 13 July 2007. Such transactions (e.g. planned investments, starting at a specific amount, as well as acquisition and sale of companies and land starting at specific amount) that require the approval of the Supervisory Board, are defined in the rules of procedure. The Management Board has been appointed to a term that will expire on 30 September 2023.

According to the statutes the company is legally represented jointly by two members of the Management Board or by one member of the Management Board in conjunction with an authorised signatory. The members of the Management Board also take over the management in all Group companies together with the local management of these companies.

c. Holding companies

As of the key date Delignit AG had a direct or indirect stake in the following companies:

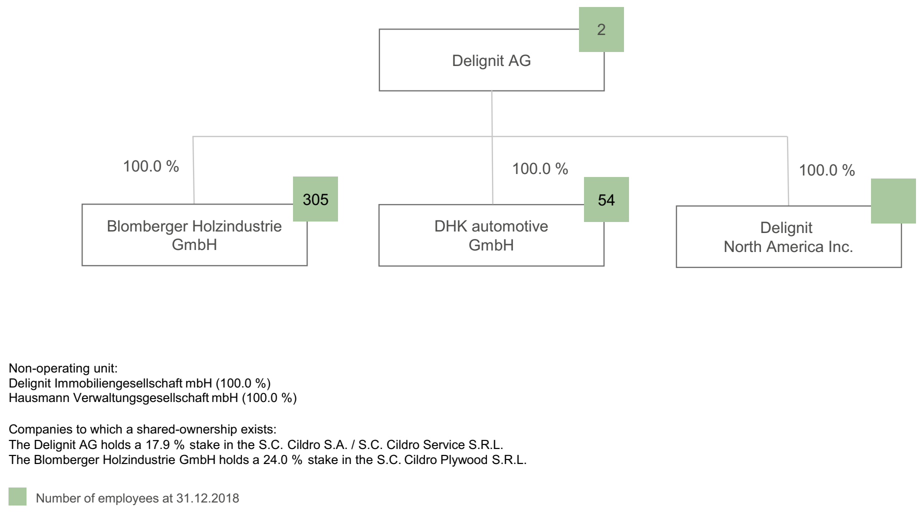

Figure V: Organisation chart of the Delignit Group

HTZ Holztrocknung GmbH, Oberlungwitz, which was shown in the previous year's organisation chart, was merged with DHK automotive GmbH, effective as of 1 July 2018.

d. Employees

Only the two members of the Management Board were active for Delignit AG.

The good order situation during the entire fiscal year resulted in a high utilisation of production capacities. The number of personnel was increased from 330 employees to 361 employees compared to the beginning of the year. In addition, depending on delivery dates, up to 52 temporary workers were also employed, in order to flexibly compensate for bottlenecks in the production area. Other peak order periods were covered by placing contract manufacturing orders with other companies.

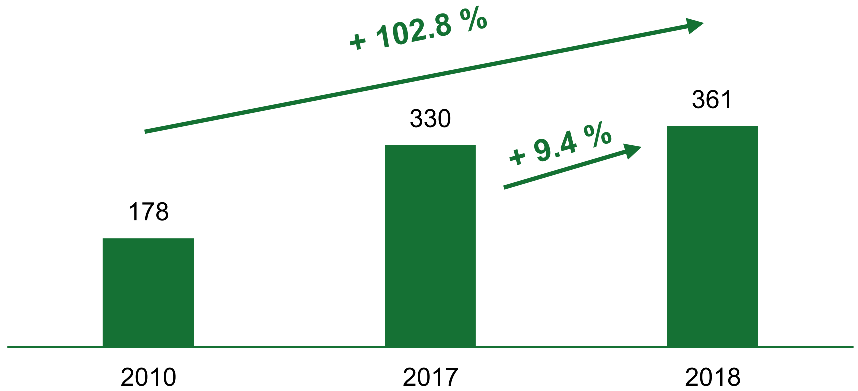

Fig. VI: Staff level development since 2010

The subsidiaries of Delignit AG are well-known training companies, which systematically further qualify their employees also on the basis of a professional quality management system and integrate them into the continuous improvement process of operational flows. This process was continued with intensive integration of the workforce in fiscal year 2018. The companies of the Delignit Group were also further trained in fiscal year 2018 and will also take on this responsibility in subsequent fiscal years.

5. Results of operations, financial position and net assets

The Delignit Group looks back on a very successful fiscal year 2018. The primary objectives were to gain market share through development of new products and applications, to take advantage of the opportunities of the export business and to further adjust appropriate structures and capacities of the company to the new conditions and to improve these. In this regard, the imperative was and still is, in parallel with the dynamic growth to not put the reputation and delivery capability of the Group in jeopardy.

Results of operations

In 2018, the Delignit Group achieved revenues of T€60,273 (PY T€52,683). With due consideration of other operating income and inventory changes, operating performance was T€60,803 (PY T€52,745).

The cost of materials amounted to 55.8 % of operating performance and remained at the previous year's level.

Personnel costs were T€16,330 after T€14,583 in the previous year.

The increase in personnel costs results from the increased number of employees, as well as from additional expenses or provisions associated with the virtual stock option programme for Management. In the reporting period 240,000 shares of a possible 300,000 shares from the stock option programme (arising from the current employment contracts) were realised by Management. The effective expense for the realisation essentially arises due to the strong share price increase in the first half-year, which was already entered in the corporate results for the half-year. Pro rata provisions will be additionally formed for the remaining stock options. Due to the significantly improved operating performance, the personnel cost ratio declined slightly by 0.7 percentage points compared to the previous year, to 26.9 %.

Other operating expenses increased by T€875 compared to the previous year. This increase was caused in particular by higher maintenance expenses for machinery. Additional repairs and preventive maintenance measures were also necessary in 2018 due to the sales-related higher level of machine utilisation. Despite the additional expenditures, the other operating expenses ratio rose only moderately to 8.1 % from 7.6 % in the previous year.

EBITDA in the past fiscal year was T€5,639 (PY €4,865) and thus the Group achieved an increase of 15.9 %. This corresponds to an EBITDA margin of 9.3 % compared to 9.2 % in the previous year.

Depreciation in fiscal year 2018 was T€1,615 (PY T€1,733).The reduction in depreciation results from discontinuation of the depreciation of a full write-off in 2017 of an unused laminating press and a gluing line.

In the reporting period EBIT increased to T€4,024 after T€3,132 in the previous year.

In the product development area significant costs were also incurred in fiscal year 2018. For external development contracts alone, costs amounting to T€164 (PY T€163) were recorded. In addition, there were expenses for internal testing and validation, as well as the costs of the development department. Due to the general character of the development activities in the past fiscal year, the costs were not capitalised, but rather were directly recognised as expenses.

Net assets

As of the balance sheet date, property, plant and equipment amounted to T€17.333 (PY T€15,992). This essentially includes the values for land as well as machines. Inventories amounted to T€10,302 after T€10,024 in the previous year. Current receivables/assets essentially include receivables from factoring for invoices yet to be purchased.

The current provisions were essentially formed for uncertain liabilities and personnel costs. Current liabilities essentially include liabilities from taxes, as well as from wages and salaries.

As of the balance sheet date equity of the Delignit Group was T€18,646 (PY T€16,508) and results in an equity ratio of the balance sheet total of 48.7 % (PY 50.7 %). The Fig. below shows the changes in equity:

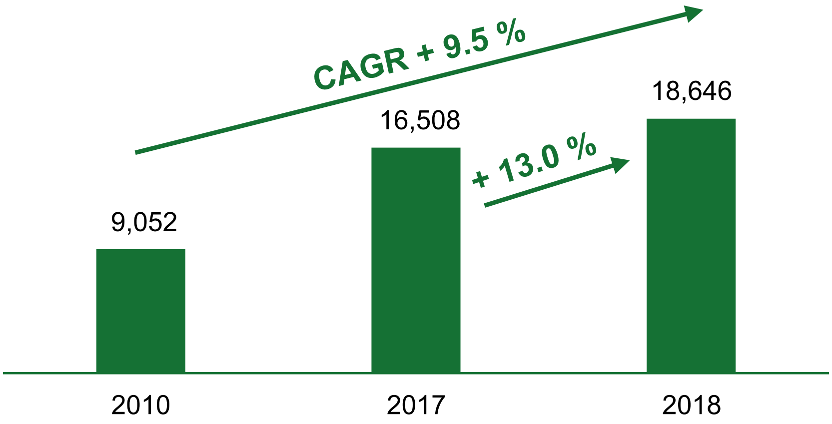

Fig. VII: Changes in equity since 2010 in T€

Financial position

The Delignit Group's cash and cash equivalents amounted to T€298 (PY T€942). Total liabilities to banks amounted to T€8,122 (PY T€4,980), of which T€5,090 are current liabilities. Net debt on the key date was T€7,824 (PY T€4,038). The sharp increase in net debt is attributed to various factors.

On the one hand, trade receivables increased by T€2,952 compared to the previous your, mainly due to the fact that deliveries to an OEM customer were temporarily not paid due to a system changeover on the part of the customer.

Moreover, other current receivables also increased. The increase in current receivables/assets is mainly due to factoring receivables not yet purchased and due to refund claims for tax prepayments.

On the other hand, the year 2018 was also characterised by extensive investment measures. In particular, investments were made in new capacities to start series production in the motor caravan business. The outflow of funds arising from investment measures in 2018 amounted to T€3,042.

Overall, the increase in working capital resulted in a negative cash flow from operating activities of T€-245 (PY T€3,390).

The Delignit Group has sufficient lines of credit to finance the working capital. The lines of credit were only utilised to a minor extent in the fiscal year. The Group was able to meet its financial obligations at all times.

6. Hedging transactions

Transactions within the companies of the group are carried out exclusively on a euro basis. Since the balance of non-hedged foreign currency positions in the Group due to transactions with foreign companies outside of the euro zone only has only a minimal volume to date, the Delignit Group is not yet pursuing any active exchange rate hedging relative to other currencies.

7. Remuneration report

The remuneration of the Management Board consists of fixed and variable components. The Management Board also receives reimbursement of expenses against receipt. Moreover, the Management Board is also covered by a Group D&O insurance policy with a deductible of 10.0 % and an accident insurance policy. In addition, the Management Board also receives a subsidy for private health insurance and long-term care insurance and each member also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to 6 weeks. Moreover a virtual stock option program has been agreed for the Management Board. Also bonuses have been paid out for achievement of various enterprise objectives. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.

The Supervisory Board is remunerated on a fixed basis. The Supervisory Board also receives reimbursement of expenses against receipt. The members of the Supervisory Board each receive an annual fixed basic amount. The Chairman of the Supervisory Board receives twice this basic amount and the Deputy Chairman receives one and a half times this basic amount.

The breakdown of the remuneration of the Management Board and Supervisory Board and a description of the virtual stock option program is provided in the notes to the consolidated financial statements.

8. Risk report

The following significant risks for further development must be cited:

- The increasing volume of OEM serial supply orders is of the utmost importance in terms of market strategy. However, this also increases the Delignit Group's dependence on specific major customers and the automotive industry overall. This situation will be countered with further development of other customers in this sector or related sectors, but also by maintaining the traditional business areas.

- Security of supply and price spiral on the raw materials markets

  - The material supply with round timber must be secured both tactically and strategically. Due to the undiminished strong use of wood as an energy source, it must be assumed that wood will become scarce as a raw material. The Delignit Group is countering the misallocation of round wood as a source of energy without having used it technologically beforehand with the initiative, "Using wood responsibly". Moreover, in order to broaden the procurement base, the increasing trend in recent years towards shorter harvest seasons due to weather conditions must be countered by building up other sources of supply.

- The glues, films and resins used in the engineered wood industry, as well as the purchased energy are subject to direct or indirect price fixing at the crude oil price.

- On the sales markets, a risk of insolvency or a cancellation of the credit limit for (major) customers can also occur. Possible slumps in sales could only be compensated for in the longer term.

- On the procurement markets, failure of (main) suppliers can occur.

- Country-specific risks result from the ongoing internationalisation of business. The interlinking of international flows of goods, in particular with OEM customers, but also with suppliers, can result in regional unrest or political influences leading to an interruption of the supply chain.

- International trends or regulations (e.g. WLTP) can result in market changes that can only be responded to with a time lag.

- Regional or country-specific risks, liability risks, and also currency risks can arise from the founding of Delignit North America Inc. and the resulting business activity in the NAFTA region.

- Due to increased series production start-ups in both target markets, increasing complexity can also result in cost burdens that cannot be passed on to the customer. For example, issues such as production interruptions (internal and external), increased scrap, necessary additional work effort and consulting services to be purchased are cited here.

- Demographic developments can result in staff shortages and a shortage of skilled workers if business capacity utilisation continues to increase. Moreover, an increased number of collective bargaining agreements in the area of personnel costs can occur. It will only be possible to pass on these increased personnel costs to the markets in part or with a time lag.

- The corporate strategy of further internationalisation and also further material qualification is an essential component of the Delignit Group's future success. These requirements are juxtaposed with internally limited capacities. If it is not possible to respond in time to customer requirements, existing or potential customers can turn to alternative solutions. Therefore it is imperative to further increase the consulting, development and application competence in the enterprise. However the operational production capacities must also be aligned to the different new product start-ups.

The Delignit Group counters these risks with various measures. The following measures are cited as examples:

- Quality management system:
  The companies have functional quality management systems (extending to ISO TS 16949).

- Contract management:
  On the one hand, important supplier and customer relationships are secured by long-term delivery contracts. On the other hand, international supply or cooperation agreements are subject to a preliminary legal examination.

- Personnel development:
  The Delignit Group responds to demographic developments with targeted and broadened vocational training and a qualification program to further extend its technical consulting expertise.

- Operational investment activity:
  An investment program tailored to the operational needs is intended to leverage further rationalisation potential and expand capacities in a targeted manner.

- Supplier management:
  Where possible, a second source of supply should be qualified for all relevant raw materials.

9. Strategic orientation and opportunities of the Delignit Group

The corporate strategy is based unchanged on megatrends in the technological target markets. In particular, the Delignit Group recognises two ecologically-driven trends:

- On the one hand, the endeavour to use renewable raw materials, insofar as these materials are technologically competitive, as a substitute for finite products.

- On the other hand, an undiminished pressure on development in the direction of system solutions that are weight-optimised to the extent possible.

Furthermore, the Delignit Group is increasingly oriented to the technological answer to urgent user questions, in part resulting from new legislation, and the Group develops appropriate system solutions. Consequently this successful strategy of combining material competence, application competence and system competence will intensively continued in the Delignit Group.

In particular, the paths presented below will be pursued in this respect:

- Material development and qualification:
  The Delignit material with its special, primarily technical properties represents an essential foundation for successful development of the Delignit Group. The Delignit Group is intending to further develop the Delignit material as part of its development activities and to qualify itself for special applications and for customer requirements. Product innovations in the Automotive target markets have been presented at IAA Commercial Vehicles

2018 in Hannover. Product innovations in the rail business were exhibited at the Innotrans 2018 trade fair in Berlin. In fiscal year 2019 intensive efforts will again be undertaken in the product development area. The focus of development is always the guideline to develop ecological products for technological applications. Therefore, the market opportunities and advantages that feature a renewable raw material compared to finite raw materials must also be exploited and emphasised.

- Transfer of the business model:

  - Geographical transfer
    The product innovations, which in particular were successfully placed in the automotive markets, should be used to further extend market leadership in the sector of cargo bay protection for light commercial vehicles, which has already been achieved in Germany, and to transfer this know-how into other markets. The successes achieved in internationalisation in past years should be continued accordingly. In parallel, the product groups of the Technological Applications target market should be marketed worldwide. To do this, the Sales organisation will be further expanded and the globalisation efforts of our customers will be accompanied.

  - Transfer from the application perspective
    The multitude of product developments over the past few years is an excellent basis for the expansion to additional fields of application. In particular, the focus of development activity is currently placed on the target markets of light commercial vehicles (LCV), in line with the strategy "more revenue per vehicle", and on the rail industry.

- The increasing globalisation of the companies and groups and thus the associated internationalisation, are recognised unchanged as trend and driver. This results in an increased demand for the Procurement organisation in the direction of the system competence of the suppliers. The good market position as a system supplier in the automotive OEM business and also in the railway market should be exploited to acquire additional serial supply orders. The aim is to take advantage of the existing process know-how and our good reputation on the market to achieve further market penetration, which in parallel should result in increased planning security.

- Finally, the raw material advantage of the most sustainable of all materials, namely wood, should be exploited: The Delignit Group recognises the opportunity to take advantage of the market possibilities through an increased emphasis of the ecological factors "sustainability" and "cascade".

- The growth strategy is based on diversification in niches, and founded on technological market leadership:

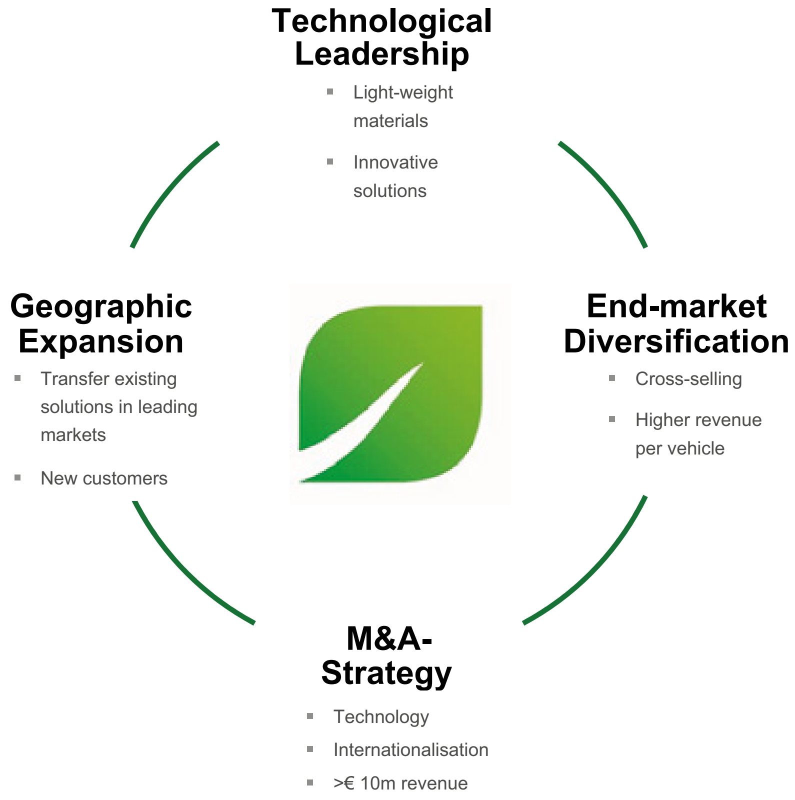

Fig. VIII: Strategic orientation of the Delignit Group

10. Non-financial performance indicators

Sustainability is a central entrepreneurial task. Due to wood as the renewable main raw material source Delignit AG represents both the ecological interpretation of the term, as well as the perspective of protection of the raw material basis in a secure and impeccable manner. To additionally reinforce the sustainability of the Company for the future, work is consistently carried out on improving economic, ecological and social performance:

- Innovations and new technologies are an essential foundation for the strategic further development of the group. This is consistently aimed at within the framework of an existing continuous improvement process.

- Employees are qualified through an intensive training effort for young people, continuing education in all Group areas, high standards of occupational health and safety and the specific promotion of future managers.

- The Management Board has stipulated environmental and climate protection as an important corporate target. In addition to the PEFC standards, for example, which have already been implemented, there is an energy management system certified in accordance with DIN ISO 50001 and an environmental management system certified in accordance with DIN ISO 14001.

11. Supplementary report

No events of special importance occurred after the end of the reporting period.

12. Summary of the report concerning relationships with affiliated companies in accordance with section 312 of the German Stock Corporation Act (AktG)

For the legal transactions and measures listed in the report concerning the relationships with affiliated companies, in accordance with the circumstances known to us at the point in time, at which the legal transactions were executed or the measures were implemented or omitted, the company received an appropriate consideration for each legal transaction, and the company has not been disadvantaged by the fact that these measures were implemented or omitted.

13. Other details

The subscribed equity in the amount of €8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount) each with a calculable portion of €1.00 of the share capital of the company.

Determination of the number of Management Board Members, as well as appointment of Management Board members, entering into employment contracts, as well as revocation of the appointment occur through the Supervisory Board. The Supervisory Board is also authorised to make amendments to the statutes, which only relate to the version.

According to the resolution of the General Meeting of 26 August 2015 the Management Board is authorised, by revoking the resolution relating to ITEM 5 of the General Meeting of 17 August 2011, to increase the share capital of the company with the approval of the Supervisory Board until 25 August 2020 once or several times by up to a total of €4,096,950.00 against cash deposits and/or contributions in kind by issuing new no-par value bearer shares (approved capital 2015).

In addition, the Management Board was authorised in the General Meeting of 26 August 2015, with the approval of the Supervisory Board until 25 August 2020 to issue bearer and/or registered convertible bonds and/or option bonds with a total amount of up to €81,939,000.00 with a term of no longer than ten years and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro-rata portion of the share capital of up to a total of €4,096,950.00, subject to the specific conditions of the bonds (conditional capital 2015).

14. Outlook

Delignit AG achieved revenue growth of 14.4 % and an EBITDA margin of 9.3 % in fiscal year 2018 and thus exceeded the growth guidance of 8.0 % and the margin guidance of 9.2 % for the year.

In spite of various uncertainties, the outlook for overall economic development in 2019 is positive.

Further economic growth is anticipated in all EU countries in 2019. In spite of this positive orientation, the European Commission expects economic growth to level off in almost all EU Member States in 2019. In the European Commission's Winter Economic Forecast, the anticipated economic growth in the EU was revised downward by 0.6 % to 1.3 %, as compared with the Autumn 2018 Economic Forecast. The reasons for this are, in particular, the trade policy tensions that are currently weighing on the economic climate. In addition, the Chinese economy could drastically affect the outlook. From an EU perspective, Brexit negotiations and their consequences are major uncertainty factors (source: Brexit: Winter 2019 Economic Forecast of the European Commission).

In its annual economic report for 2019, the German Federal Government expects an continued increase in gross domestic product. This is the tenth consecutive year that the German economy has been on a growth course. For 2019, for example, the German government expects the price-adjusted gross domestic product to grow by 1.0 %, which however means a decline of 0.5 percentage points compared with the previous year. According to the report, domestic consumption remains an important factor for economic growth.

Forward-looking economic indicators, such as business expectations or incoming orders in the manufacturing sector, are declining moderately. However, the German economy continues to be in a situation of over-utilisation of production capacity, albeit only slight, this means that from a domestic perspective there is no reason to fear an abrupt halt to the upward economic trend. But growth of the global economy and growth in the euro zone are likely to slow somewhat in 2019. Risks from the external economic environment, however have increased significantly (Source: Annual Economic Report 2019 issued by the German Federal Government).

In terms of value-added, the motor vehicle and motor vehicle parts sector is the largest branch of the manufacturing industry in Germany. Since 1 September 2018, the new WLTP (Worldwide harmonised Light vehicles Test Procedure) has been mandatory in the European Union for initial registration of passenger cars with petrol and diesel engines. The new procedure is intended to provide more realistic information on exhaust emissions and fuel consumption. However, because only limited capacities were available on the test benches as of the introduction date, the manufacturers reacted with production cutbacks. Then in September 2018, new registrations dropped by more than 40 % compared with the previous month. The economic impact of the introduction of the new test standard should still be felt at the beginning of 2019. However, in the subsequent course of the year, passenger car production in Germany should again be more closely geared to global demand (Source: Annual Economic Report 2019 issued by the German Federal Government).

Delignit AG sees good basic conditions for further dynamic growth in fiscal year 2019. Introduction of the WLTP measurement method on 1 September 2018, is a subordinate risk for Delignit AG, although it currently exists, measured against the call-off plans of OEM customers.

Overall the market for commercial vehicles is assessed as robust. At Delignit AG, a serial supply transaction in the UK export market will expire in 2019 without compensation, but thanks to the new start-up of the OEM motor caravan order, as well as extended delivery volumes and stable call-off numbers from the existing business, Delignit AG expects a very strong development in the automotive target market. Delignit AG expects slightly declining sales in the Technological Applications markets for fiscal year 2019.

Effects arising from period-related revenue recognition in accordance with IFRS 15 cannot yet be estimated due to a new customer order, starting from 2019.

Subject to a stable economy in all Delignit AG markets, call-off volumes arising from tender-conformant OEM contracts, stable supply on the procurement markets, production start-up costs for the motor caravan order in conformity with the plan, as well as normalised expenses from the virtual stock option programme for Management, Delignit AG expects sales in fiscal year 2019 to exceed €70 million and the Company expects to achieve an EBITDA margin at the previous year's level.

Blomberg, 20 March 2019

Markus Büscher CEO	Thorsten Duray CSO

IFRS consolidated balance sheet of Delignit AG as of 31 December 2018

ASSETS

	Notes	31/12/2018 T€	31/12/2017 T€
A. Current assets			
1. Inventories	III. 1.	10,302	10,024
2. Trade receivables	III. 2.	5,281	2,329
3. Receivables from related parties	III. 3.	4	6
4. Other current receivables/assets	III. 4.	3,625	1,965
5. Liquid assets	III. 5.	298	942
Current assets		**19,510**	**15,266**
B. Non-current assets			
1. Goodwill	III. 6.	2,178	2,178
2. Other intangible assets	III. 7.	1,240	1,055
3. Property, plant and equipment	III. 8.	13,915	12,759
4. Other non-current financial assets	III. 10.	1,201	906
5. Deferred tax assets	III. 11.	281	384
Non-current assets		**18,815**	**17,282**
Assets, total		**38,325**	**32,548**

LIABILITIES

	Notes	31/12/2018 T€	31/12/2017 T€
A. Current liabilities			
1. Other current provisions	III. 12./13./14.	2,990	3,093
2. Current financial liabilities	III. 13.	5,090	1,379
3. Trade liabilities	III. 13.	4,312	2,618
4. Advance payments received		0	970
5. Other current liabilities	III. 15.	1,470	1,399
Current liabilities and provisions		**13,862**	**9,459**
B. Non-current liabilities			
1. Provisions for pensions	III.16.	1,192	1,365
2. Other non-current provisions	III.12.	81	19
3. Deferred tax liabilities	III.11.	1,106	1,083
4. Non-current financial liabilities	III.13.	3,032	3,601
5. Other non-current liabilities	III.15.	406	513
Non-current provisions and liabilities		**5,817**	**6,581**
C. Equity			
1. Subscribed capital	III. 17.	8,194	8,194
2. Capital reserves	III. 18.	1,063	1,063
3. Amounts recognised directly in equity		-568	-544
4. Result carried forward		7,385	5,867
5. Consolidated net income		2,572	1,928
Equity		**18,646**	**16,508**
Liabilities, total		**38,325**	**32,548**

IFRS Consolidated statement of comprehensive income of Delignit AG for the Financial Year 2018

		Notes	2018 T€	2017 T€
1.	Revenues	IV. 1.	60,273	52,683
2.	Other operating income	IV. 2.	281	327
3.	Inventory changes		249	-265
4.	Cost of materials	IV. 3.	-33,937	-29,275
5.	Personnel costs	IV. 4.	-16,330	-14,583
6.	Depreciation on intangible assets and on property, plant and equipment	IV. 5.	-1,615	-1,733
7.	Other operating expenses	IV. 6.	-4,897	-4,022
8.	**Earnings from operating activities (EBIT)**		**4,024**	**3,132**
9.	Interest expenses	IV. 7.	-182	-196
10	Financial result		-182	-196
11.	**Earnings before taxes (EBT)**		**3,842**	**2,936**
12.	Income taxes	IV. 8.	-1,244	-947
13.	Other taxes	IV. 8.	-26	-61
14.	**Consolidated net income**		**2,572**	**1,928**
15.	**Earnings per share €**	IV. 9.	**0.31**	**0.24**
16.	Consolidated net income		2,572	1,928
17.	Actuarial gains/losses from pension obligations	II. 15.	-24	48
18.	**Other consolidated net income**		**-24**	**48**
19.	**Total comprehensive income including OCI**		**2,548**	**1,976**

	Notes	2018 T€	2017 T€
20. Actuarial gains/losses from pension obligations		24	-48
21. Total comprehensive income excluding OCI		**2,572**	**1,928**
22. Result carried forward		7,795	6,113
23. Dividend distribution		-410	-246
24. Total comprehensive income including result carried forward		**9,957**	**7,795**

IFRS consolidated statement of changes in equity as of 31 December 2018 of Delignit AG, Blomberg

	Sub-scribed capital T€	Capital reserve T€	Reserve for pensions (OCI) T€	Consoli-dated net income T€	Consol-idated equity T€
As of 31 December 2016	**8,194**	**1,063**	**-592**	**6,113**	**14,777**
Dividend distribution	0	0	0	-246	-246
Amounts recognised directly in equity (after taxes) [OCI]	0	0	48	0	48
Consolidated net income	0	0	0	1,928	1,928
Total comprehensive income	**0**	**0**	**48**	**1,682**	**1,731**
As of 31 December 2017	**8,194**	**1,063**	**-544**	**7,795**	**16,508**
Dividend distribution	0	0	0	-411	-411
Amounts recognised directly in equity (after taxes) [OCI]	0	0	-24	0	-24
Consolidated net income	0	0	0	2,572	2,572
Total comprehensive income	**0**	**0**	**-24**	**2,160**	**2,138**
As of 31 December 2018	**8,194**	**1,063**	**-568**	**9,955**	**18,646**

IFRS consolidated cash flow statement as of 31 December 2018 of Delignit AG, Blomberg

	2018 T€	2017 T€
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	4,024	3,132
Depreciation on property, plant and equipment	1,615	1,733
Decrease (-) / increase (+) in provisions	-214	995
Other non-cash income and expenses	-121	249
Subtotal	**5,304**	**6,109**
Change in working capital:		
Decrease (+) / increase (-) in inventories, trade receivables and other assets	-5,183	-243
Decrease (-) / increase (+) in trade liabilities and other liabilities	688	-1,586
Subtotal	**-4,495**	**-1,829**
Income tax payments	-1,054	-890
Cash flow from operating activities	**-245**	**3,390**
2. Cash flow from investment activities		
Investments (-) in intangible assets	-399	-77
Investments (-) in tangible assets	-2,643	-2,492
Cash flow from investment activities	**-3,042**	**-2,569**
3. Cash flow from financing activities		
Payments for dividends	-410	-246
Proceeds from the taking out of financial loans	4,303	0
Payments for the repayment of financial loans	-1,152	-980
Interest payments	-183	-197
Investment subsidies received	85	0
Cash flow from financing activities	**2,643**	**-1,423**
Cash and cash equivalents at the end of the period		
Net change in cash and cash equivalents (total of the individual cash flows)	-644	-602
Cash and cash equivalents at the beginning of the reporting period	942	1,544
Cash and cash equivalents at the end of the reporting period	**298**	**942**
Composition of cash and cash equivalents		
Cash on hand and credit balances at banks	298	942
Cash and cash equivalents at the end of the period	**298**	**942**

Delignit AG, Blomberg
Notes to the consolidated financial statements for 2018

I. Methods and principles

Basic information concerning the accounting

1. Information concerning the company

Delignit AG, Blomberg, with registered office at Königswinkel 2-6, 32825 Blomberg, Germany, is the parent company of the Delignit Group. It is registered in the Commercial Register of the Lemgo District Court under the number HRB 5952. Delignit AG is listed in the Scale Segment of the Frankfurt Stock Exchange under the international securities number WKN A0MZ4B. The business activities of Delignit AG together with its subsidiaries include the production and sale of wood-based panels.

The IFRS consolidated financial statements (smallest consolidated group) as of 31 December 2018 are expected to be approved by the Supervisory Board of Delignit AG on 28 March 2019 and subsequently released for publication. The financial statements of Delignit AG will be included in the financial statements of the parent company (largest consolidated group), MBB SE, Berlin, HRB 165458, Berlin District Court.

2. Accounting principles

Principles for preparing the financial statement

The consolidated financial statements as of 31 December 2018 have been voluntarily prepared while exercising the option specified in section 315e of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB), as they must be applied in the EU. The term IFRS also includes the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), which are still valid. In addition, the requirements of section 315a HGB have also been taken into account.

Delignit AG has taken into account all standards and interpretations that were mandatory as of 31 December 2018.

Application of new and amended standards

The following IAS/IFRS/IFRIC standards or amendments to these standards, which were required to be applied for the first time or voluntarily under EU law in fiscal year 2018, were recognised in the preparation of the consolidated financial statements of Delignit AG and applied to the consolidated financial statements, if they were relevant.

The following amendments have been reviewed and, where mandatory, taken into account in the consolidated financial statements of Delignit AG:

The following must be applied from 01/01/2018:

IFRS 9 Financial Instruments (IASB publication: 24/07/2014, EU endorsement: 22/11/2016): The standard comprehensively regulates the accounting for financial instruments. In particular, the classification rules for financial assets have been revised. These are based on the characteristics of the business model and the contractual cash flows of financial assets. What are also fundamentally new are the regulations concerning the recognition of impairments, which are now based on a model of the anticipated losses. The presentation of hedging relationships in the balance sheet has also been newly regulated under IFRS 9 and is geared towards the ability to present operational risk management more clearly.

IFRS 15 Revenue from Contracts with Customers (IASB publication: 28/05/2014, EU endorsement: 22/09/2016): The standard regulates when and in what amount revenues are to be recognised. IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. The application of IFRS 15 is mandatory for all IFRS users and applies to almost all contracts with customers – the essential exceptions are leases, financing instruments and insurance contracts.

The version of IFRS 15 published on 28 May 2014 provided for first-time application for fiscal years beginning on or after 1 January 2017. The IASB adopted "Effective Date of IFRS 15" on 11 September 2015, thus postponing the date of first-time mandatory application of IFRS 15 to 1 January 2018. Moreover, the IASB published "Clarifications to IFRS 15" on 12 April 2016. The amendments address the identification of performance obligations, principal/ agent considerations and licenses) and are aimed at facilitating the transition for modified contracts and contracts that have already been entered into.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (IASB publication: 20/06/2016, EU endorsement: 26/02/2018): The amendments deal with specific issues in conjunction with the accounting treatment of cash-settled, share-based remuneration transactions. The most significant change or amendment is that IFRS 2 now contains provisions relating to determination of the fair value of obligations arising from share-based remunerations.

IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IASB publication: 12/09/2016, EU endorsement: 03/11/2017): The amendments are aimed at reducing the effects of different first-time application dates of IFRS 9 and its succession status relative to IFRS 4, particularly for companies with extensive insurance activities. Two optional approaches are introduced that can be used by insurers to meet certain conditions: the superimposition approach and the deferral approach.

IFRIC 22 Foreign Currency Transaction and Advance Consideration (IASB publication: 08/12/2016, EU endorsement: 28/03/2018): The interpretation aims to clarify the accounting treatment of transactions involving the receipt or payment of consideration in a foreign currency.

IAS 40 Transfers of Investment Property (IASB publication: 08/12/2016, EU endorsement: 14/03/2018): The amendments clarify the requirements relative to transfers to or from the investment property portfolio. In particular, it deals with whether property under construction or development that was previously classified as inventories can be reclassified to the category of investment property, if there has been an obvious change in use.

Annual Improvements 2014 – 2016 (IASB publication: 08/12/2016, EU endorsement: 07/02/2018): Improvements to IFRS 1 and IAS 28

The following must be applied from 01/01/2019

IFRS 16 Leases (IASB publication: 13/01/2016, EU endorsement: 31/10/2017): The standard regulates the accounting of leasing relationships. IFRS 16 replaces the previously valid standard IAS 17 and three lease-related interpretations. Application of IFRS 16 is mandatory for all IFRS users and applies fundamentally for all leasing relationships. Exceptions are contracts for the exploration of minerals, oil, gas and similar non-regenerative resources; rights and license agreements for films, video recordings, plays, manuscripts, patents and copyrights that fall within the scope of IAS 38; lease agreements for biological assets within the scope of IAS 41; service agreements within the application area of IFRIC 12; and license agreements for intellectual property from a lease in the application area of IFRS 15. Concerning the effects of the introduction of the standard we refer to III. 9 of the Notes "Obligations arising from leasing and rental".

IFRIC 23 Uncertainty over Income Tax Treatments (IASB publication: 07/06/2017, EU endorsement: 23/10/2018): The IASB has issued IFRIC 23, an interpretation developed by the IFRS Interpretations Committee, to clarify the accounting for uncertainty related to income taxes.

IAS 28 Long-term Interests in Associates and Joint Ventures (IASB publication: 12/10/2017, EU endorsement: 08/02/2019): The amendments make it clear that an enterprise is required to apply IFRS 9 Financial Instruments, including its impairment provisions, to non-current investments in associated companies or joint ventures that are essentially part of the net investment in the associated company or joint venture and are not shown using the equity method. Thus application of IFRS 9 takes precedence over application of IAS 28.

IFRS 9 Prepayment Features with Negative Compensation (IASB publication: 12/10/2017, EU endorsement: 22/03/2018): Minor amendment to IFRS 9 for financial assets with so-called symmetrical termination rights, in order to permit their valuation at amortised acquisition costs or at fair value directly in equity. In addition, clarification occurs of the modification of financial liabilities that do not result in derecognition.

Annual Improvements 2015 – 2017 (IASB publication: 12/12/2017, EU endorsement: open): Improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23.

IAS 19 Plan Amendment, Curtailment of Settlement (IASB publication: 07/02/2018, EU endorsement: open): The amendments to IAS 19 will make it mandatory in the future to reassess the current service cost and net interest for the remainder of the fiscal year when a defined benefit plan is amended, reduced or settled applying current actuarial assumptions used to remeasure the net liability (asset value). Moreover the IASB has also included amendments to IAS 19 to clarify how a plan amendment, curtailment or settlement affects asset ceiling requirements.

The following must be applied from 01/01/2020

Amendments to References to the Conceptual Framework in IFRS Standards (IASB publication: 29/03/2018, EU endorsement: open): The new framework includes revised definitions of assets and liabilities and new guidance on valuation and derecognition, classification and measurement. The new framework is not a fundamental revision of the document as originally intended when the project was launched in 2004. Rather, the IASB has limited itself to those subject areas that were previously unregulated or that had identifiable deficits that had to be remedied. The revised framework is not an object of the endorsement procedure.

Together with the revised framework, the IASB has also issued amendments to the references to the framework in IFRS standards. These include amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32. The amendments to the IFRS standards as a result of publication of the new framework are objects of the endorsement procedure.

IFRS 3 Definition of a Business (Amendments to IFRS 3) (IASB publication: 22/10/2018, EU endorsement: open): The narrowly-defined amendments to IFRS 3 aim to solve the problems that arise when an entity determines whether it has acquired a business or a group of assets. The problems arise because the accounting provisions for goodwill, acquisition costs and deferred taxes for the acquisition of a business are different than they are for acquisition of a group of assets.

Definition of Material (Amendments to IAS 1 und IAS 8) (IASB publication: 31/10/2018, EU endorsement: open): The International Accounting Standards Board (IASB) has issued Definitions of Materiality (Amendments to IAS 1 and IAS 8) to sharpen the definition of 'significant' and to harmonise the various definitions in the framework and in the standards themselves.

The following must be applied from 01/01/2021

IFRS 17 Insurance Contracts (IASB publication: 18/05/2017, EU endorsement: open): The standard regulates the accounting treatment of insurance contracts. IFRS replaces the previously valid transition standard IFRS 4. The application area includes insurance contracts, reinsurance contracts and investment contracts with discretionary participation. In accordance with IFRS 17, insurance contracts are always valued according to the general model. Under IFRS 17, for a group of insurance contracts, at initial recognition the fulfilment value and the contractual service margin will be determined. Depending on what the changes in the underlying parameters refer to, the subsequent measurement can affect either the underwriting result or the underwriting financial income/expenses, or there may be an initial adjustment of the contractual service margin, which will not affect the income statement until later periods.

IFRS 10/IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB publication: 11/09/2014, EU endorsement: open): The amendments make it clear that for transactions with an associated company or joint venture, the extent to which profit or loss is reported depends on whether the assets disposed of or contributed constitute a business operation. In December 2015, the IASB postponed the effective date indefinitely until the research project for accounting using the equity method is completed.

3. Consolidation

Consolidated group

The consolidated financial statements include Delignit AG and the following subsidiaries and second-tier subsidiaries:

Blomberger Holzindustrie GmbH, Blomberg (100.0 %)

Hausmann Verwaltungsgesellschaft mbH, Blomberg (100.0 %)

Delignit Immobiliengesellschaft mbH, Blomberg (100.0 %)

DHK automotive GmbH, Oberlungwitz (100.0 %)

HTZ Holztrocknung GmbH, Oberlungwitz, as of 01/07/2018 merged with DHK automotive GmbH (100.0 %)

Delignit North America Inc., Atlanta/Georgia, USA (100.0 %)

Moreover there are still direct investments in the Romanian companies de-consolidated in 2010

S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania (24.0 % – at equity), and

S.C. Cildro S.A., Drobeta Turnu Severin, Romania (17.9 % – at equity).

In addition, Delignit AG holds an indirect stake in the company via S.C. Cildro S.A. of 17.9 % of the shares in the S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania (at equity), which was likewise de-consolidated in 2010.

Consolidated group

The following subsidiaries were included in the consolidated financial statements:

Name	Registered office	Share in %	Equity €	Net income €
Blomberger Holzindustrie GmbH	Blomberg	100	3,563,945.95	0.00*
With its subsidiary Hausmann Verwaltungs-gesellschaft mbH	Blomberg	100	114,153.01	2,079.55
Delignit Immobilien-gesellschaft mbH	Blomberg	100	219,970.48	79,980.09
DHK automotive GmbH	Oberlungwitz	100	2,205,000.32	678,575.38
Delignit North America Inc.	Atlanta/Georgia, USA	100	34,701.63	13,027.40

*The net earnings for the year were transferred to Delignit AG on the basis of the profit transfer agreement dated 5 April 2017.

The investments in the following companies were included at equity in the consolidated financial statements:

Name	Registered office	Share in %	Equity* RON	Net income* RON
S.C. Cildro Plywood S.R.L.	Drobeta Turnu Severin/ Romania	24.0	10,255,335.35	1,258,118.19
S.C. CILDRO S.A.	Drobeta Turnu Severin/ Romania	17.9	21,887,596.26	194,697.61
With its subsidiary				
S.C. Cildro Services S.R.L.	Drobeta Turnu Severin/ Romania	100	1,393,860.82	343,540.22

*Preliminary, unaudited figures for the 2018 fiscal year

Consolidation principles

The financial statements of the subsidiaries are prepared using uniform accounting and measurement principles as also applied by the parent company for its financial statements.

The balance sheet date of the subsidiaries included in the consolidated financial statements is 31 December of the respective calendar year.

Subsidiaries are fully consolidated from the date, on which control is obtained, until the date on which control is no longer present.

Capital consolidation is executed using the purchase method in accordance with IFRS 3. In accordance with this method, the acquisition costs of the acquired shares are offset against the parent company's share of the equity of the acquired subsidiary at the acquisition date. In this regard all identifiable assets, liabilities and contingent liabilities are carried at fair value and included in the consolidated balance sheet. Any excess of the cost of acquisition over the fair value of the net assets attributable to the Group is capitalised as goodwill.

If the fair value of the net assets attributable to Delignit AG is higher than the acquisition cost of the shares, there is a liability-side difference. If such a liability-side difference remains after a subsequent review of the purchase price allocation or determination of the fair values of the acquired assets, liabilities and contingent liabilities, it must be recognised immediately in profit or loss.

Expenses, income, receivables and liabilities between the fully consolidated companies, as well as inter-company profits from intra-group goods and services are eliminated. Deferred taxes for consolidation adjustments are recognised in income.

II. Presentation of accounting and valuation methods

1. General information

The balance sheet was structured in accordance with current and non-current assets and liabilities. The statement of comprehensive income is prepared using the nature of expense method to determine the consolidated net income for the year.

2. Reporting currency

The consolidated financial statements are prepared in euros, since the majority of Group transactions are based on this currency. Unless otherwise indicated, all values are rounded up or down to the nearest thousand euros (T€). For mathematical reasons, rounding differences can occur in the figures and percentages shown. The amounts are given in euros (€) and thousand euros (T€).

3. Foreign currency translation

For reasons of materiality, foreign currency conversions were not necessary in the fiscal year, since all major assets and liabilities were only settled in euros. With the founding of Delignit North America Inc., foreign currency translation will become increasingly important. Although the supply business will indeed be invoiced in euros, services will be purchased locally in USD.

The investment values accounted for using the equity method are not translated into euros. The exchange rate on the balance sheet date was RON 4.664. The average exchange rate was RON 4.654.

4. Intangible assets

In accordance with IAS 38, intangible assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the Company and the acquisition cost or manufacturing cost of the asset can be measured reliably.

Intangible assets that were not acquired as part of a business combination are initially measured at acquisition cost or manufacturing cost at the time of acquisition. The acquisition cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

For the purpose of subsequent measurement, intangible assets are carried at acquisition cost or manufacturing cost, less accumulated amortisation and accumulated impairment losses (reported under Depreciation). Intangible assets (without goodwill) are amortised on a straight-line basis over their estimated useful lives. The depreciation period and the depreciation method are reviewed for appropriateness at the end of each fiscal year.

With the exception of goodwill, the Group has no intangible assets with indefinite useful lives.

Amounts paid for the purchase of industrial property rights and license rights are capitalised and subsequently depreciated on a straight-line basis over their anticipated useful lives.

The acquisition costs of new software are capitalised and treated as an intangible asset, unless these costs are an integral part of the related hardware. Software is depreciated on a straight-line basis over a period of up to 3 years.

Costs that are incurred to restore or maintain the future economic benefits that the Company had originally expected are recognised as expenses.

Research costs are recognised as expenses in the period, in which they are incurred.

Costs for development activities for projects are capitalised as intangible assets, if the following criteria are present cumulatively. The technical feasibility of completion of the project must be present. The intent and ability to complete the intangible asset and to use it or sell it must be present. An intangible asset is capitalised if it is assumed that the intangible asset will probably generate future economic benefits. Moreover, Delignit AG must have the technical, financial and other resources to conclude the development tasks, and must be able to reliably determine the expenses directly attributable to the project.

If the criteria are not met, development expenditures are recognised as expenses in the period, in which they are incurred.

5. Goodwill

Goodwill arising from business combinations is the residual amount of the excess of the cost of the business combination over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the company acquired.

Goodwill is not subject to scheduled depreciation, but rather it is reviewed for impairment at least once a year in accordance with IAS 36 using an impairment test and if necessary subjected to non-scheduled depreciation.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash-generating units, starting from the acquisition date.

6. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment expenses. If tangible fixed assets are sold or scrapped, the appropriate acquisition costs and accumulated depreciation are derecognised; any realised profit or loss on disposal is recognised in the statement of comprehensive income.

The cost of a property, plant and equipment item is made up of the purchase price and other non-refundable purchase taxes incurred in conjunction with the acquisition, plus any directly attributable costs for bringing the asset to its location and into a condition necessary for it to be ready for its intended use. Subsequent expenditures, such as service and maintenance costs that are incurred after the property, plant or equipment has been placed in service, are recognised as expenses in the period, in which they are incurred. If it is probable that the expenditures will result in the entity receiving an additional future economic benefit in excess of the originally assessed earning power of the existing asset, the expenditure is capitalised as the subsequent acquisition cost of the property, plant and equipment.

Depreciation is calculated using the straight-line method over the expected useful economic life, assuming a residual value of €0.00.

The following estimated useful lives are referenced for the specific asset groups:

Buildings and outdoor facilities:	10 to 25 years
Technical equipment and machinery:	5 to 15 years
Computer hardware:	3 years
Other office equipment:	5 to 13 years

The useful life, depreciation method and residual values of property, plant and equipment are reviewed periodically.

The recoverability of property, plant and equipment items is reviewed regularly, if necessary on the basis of cash-generating units. If necessary, appropriate value adjustments are made in accordance with IAS 36.

7. Accounting for the leasing relationships

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the contractual arrangement depends on the use of a specific asset or assets, and whether the arrangement conveys a right to use the asset.

Delignit AG does not act as lessor.

Assets from finance leases, where essentially all the risks and opportunities associated with ownership of the transferred asset are transferred to Delignit AG, are capitalised at the beginning of the lease at the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. Assets are depreciated on a straight-line basis over the lease term or the economic life of the leased asset, whichever is shorter. Lease payments are apportioned between finance charges and the repayment of the lease liability, so as to achieve a constant rate of interest on the residual carrying amount of the liability. The remaining leasing obligations at the balance sheet date are shown separately in the balance sheet in accordance with their maturity. Lease payments for operating leases are recognised as expenses in the income statement over the lease term.

8. Impairment of assets

No impairment losses occurred for non-current assets in fiscal year 2018.

9. Borrowing costs

Borrowing costs are recognised as an expense in the period, in which they are incurred, unless the borrowing costs are incurred for the acquisition, construction or production of qualifying assets. In this case, the borrowing costs will be added to the production costs of these assets. Qualifying assets were neither acquired nor produced in the fiscal year.

10. Inventories

Inventories are carried at the value arising from acquisition costs or manufacturing costs and net realisable value (net realisable value less necessary selling expenses), whichever is lower. Raw materials, consumables and supplies, as well as purchased merchandise are valued at acquisition cost using the average price method or at the lower market prices on the balance sheet date. The manufacturing costs of work in progress and finished goods include not only the costs for production materials and wages but also pro rata material and production overheads, assuming normal capacity utilisation. Appropriate write-downs were made for inventory risks arising from the storage period and diminished usability.

11. Financial assets held as current assets

Financial assets held as current assets consist of trade receivables and other receivables. Trade receivables are stated at the invoice amount minus a valuation allowance based on creditworthiness. Trade receivables are subject to a value adjustment, if it is probable that the full amount of the original invoice cannot be collected. The amount of the value adjustment is equal to the nominal value, less the recoverable amount, which corresponds to the cash value of the anticipated cash inflows. The cash value of the expected future cash flows is discounted at the original effective interest rate of the financial asset. The book value of the financial asset is reduced using an allowance account and the impairment loss is recognised in profit or loss.

12. Other current receivables/assets

Other current assets are carried at their nominal value and, if they are subject to discernible risks, individual value adjustments are made.

13. Cash and cash equivalents

Cash and cash equivalents shown in the balance sheet consist of cash on hand, bank credit balances and short-term deposits with a maturity of less than three months.

Cash and cash equivalents in the IFRS consolidated cash flow statement are treated as accrued items in accordance with the definition cited above.

14. Provisions

A provision is recognised when the Delignit Group has a present obligation (statutory or constructive) as a result of a past event, it is probable that an outflow of resources constituting an economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Delignit Group expects at least a partial reimbursement for a provision carried as a liability, the reimbursement will be recognised as a separate asset if the inflow of the reimbursement is virtually certain. The expense arising from formation of the provision is shown in the income statement less the reimbursement.

Provisions are reviewed at each balance sheet date, adjusted to the current best estimate and always recognised at their cash value. If the corresponding interest effect is material, the amount of the provision is the cash value of the expenditure anticipated to be required to settle the obligation. The increase in the provision reflecting the passage of time is recognised under Borrowing costs.

15. Pensions and other post-employment benefits

Pension obligations are measured in accordance with IAS 19. The pension commitments are regarded as a "defined benefit plan" and are therefore measured actuarially using the projected unit credit method. In this regard, a discount rate of 1.4 % (PY 1.4 %) was the basis.

Actuarial gains and losses are recognised in equity in each period as other comprehensive income (OCI). This has had the following effects:

in T€	31/12/2018	Change 2018	31/12/2017	Change 2017	31/12/2016
Actuarial gain (+) / loss (-)	-811	-34	-777	68	-845
Tax effect	243	10	233	-20	253
Result to be recognised in OCI:	-568	-24	-544	48	-592

16. Financial liabilities

Loans and other non-current liabilities are initially recognised at fair value, including transaction costs directly associated with the borrowing.

After initial recognition, interest-bearing loans and non-current liabilities are measured at amortised acquisition costs using the effective interest method.

Gains and losses are recognised in the income statement, when the liabilities are derecognised and as part of the amortisation process.

Liabilities from finance leases are recognised at the cash value of the minimum lease payments.

Current financial liabilities are recorded at their repayment or settlement amounts; non-current financial liabilities are recorded at discounted amounts.

17. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Delignit Group and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the consideration received or that will be received less discounts and rebates granted, as well as value-added tax or other levies. Moreover, revenue recognition requires the fulfilment of the following recognition criteria:

Sale of goods

Revenue is recognised when control of the goods and products sold has transitioned to the buyer. As a rule, this occurs when the goods are delivered.

The Group applies IFRS 15 retrospectively. The effects were not material; there were no changes in retained earnings. The 2017 comparative figures have not been adapted.

Interest income

Interest income is recognised, as soon as interest accrues, using the effective interest rate, i.e. the rate that is used to discount the estimated future cash inflows to the net carrying amount of the financial asset over the expected life of the financial instrument.

18. Taxes

Actual income taxes

The actual tax receivables and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the tax authority. The calculation is based on tax rates and tax laws applicable at the balance sheet date.

Deferred taxes

Deferred taxes are recognised using the liability method on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except for deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

Deferred tax assets are recognised for all deductible temporary differences, unused tax loss carry-forwards and unused tax credits, if it is probable that taxable profit will be available, against which the deductible temporary differences and the unused tax loss carry-forwards and tax credits can be used. Exceptions are deferred tax assets arising from deductible temporary differences that occur from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the commercial result for the period nor the taxable result.

The book value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available, against which the deferred tax asset can be used, at least in part. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period, in which an asset is recognised or the liability is settled. This is based on the tax rates and tax laws applicable at the balance sheet date. Future changes in tax rates must be taken into account at the balance sheet date, if material prerequisites for their effectiveness are met in the course of a legislative procedure.

Deferred taxes are recognised as tax income or tax expense in the statement of comprehensive income, unless they relate to items recognised directly in equity, in which case the deferred taxes are also recognised in equity.

19. Contingent liabilities and contingent assets

Contingent liabilities are either possible obligations that can result in an outflow of resources or current obligations that do not meet the recognition criteria for a liability. They are specified separately in the notes, unless the possibility of an outflow of resources embodying economic benefits is highly improbable. Apart from the liability relationships, there are no contingent liabilities.

In business combinations, contingent liabilities are recognised in accordance with IFRS 3.37, if the fair value can be reliably determined.

Contingent assets are not recognised in the financial statements. However, they are specified in the notes if the inflow of economic benefits is probable.

20. Material discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS, in some cases requires estimates and assumptions to be made. These estimates and assumptions have an impact on the calculated amounts of assets, liabilities and financial obligations at the balance sheet date, as well as an impact on the recognition of expenses and income. The actual amounts can deviate from these estimates.

The key assumptions concerning the future and other main sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there are any indications of impairment of non-financial assets. Goodwill is tested for impairment at least once a year and whenever there are indications of impairment. Other non-financial assets are tested for impairment if there are indications that the book value exceeds the recoverable amount. To determine value in use, Management estimates the expected future cash flows from the asset or cash-generating unit and selects an appropriate discount rate to determine the cash value of these cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carry-forwards and for deferred tax assets on temporary differences, if it is probable that taxable profit will be available, against which the unused tax loss carry-forwards can actually be utilised. In determining the amount of deferred tax assets, significant exercise of discretion on the part of Management is required, relative to the expected time of occurrence and the amount of future taxable income and future tax planning strategies.

Pensions and other post-employment benefits

The cost of defined post-employment, benefit-oriented plans is determined on the basis of actuarial calculations. Actuarial valuation is based on assumptions concerning discount rates, expected earnings on plan assets, future wage and salary increases, mortality and future pension increases. Given the long-term nature of these plans, such estimates are subject to significant uncertainties.

Provisions

Other provisions are recognised and measured based on an estimate of the probability of a future outflow of resources embodying economic benefits, past experience and circumstances known at the balance sheet date. The actual obligation can deviate from the amounts accrued.

III. Notes to the consolidated balance sheet

Current assets

1. Inventories

Inventories are broken down as follows:

	31/12/2018 T€	31/12/2017 T€
Raw materials, consumables and supplies	4,637	4,608
Unfinished products	2,528	2,413
Finished products	3,137	3,003
Book value at 31/12	10,302	10,024

Impairment losses on inventories amounted to T€210 (PY T€88). There were no reversals of impairment losses in the reporting period or in the previous period.

2. Trade receivables

The total amount of trade receivables is due within one year. Trade receivables are individually impaired as required.

Trade receivables developed as follows:

	31/12/2018 T€	31/12/2017 T€
Trade receivables	5,695	2,466
less specific valuation allowances	-409	-137
less adjustment in accordance with IFRS 9	-5	0
Book value at 31/12	5,281	2,329

The increase in trade receivables is attributed to the fact that deliveries to an OEM customer were temporarily not invoiced and were not paid by credit memo procedure due to incorrect recording by the customer. Due to an invoice rejected by the customer, a specific valuation allowance was formed as a precautionary measure, and this is the reason for the increase in specific valuation allowances.

There was no significant concentration of credit risk at the balance sheet date.

3. Receivables from related parties

Receivables from related parties amounting to T€4 (PY T€6) exist relative to OBO Werke GmbH.

4. Other current receivables/assets

Other current receivables/assets are broken down as follows:

	31/12/2018	31/12/2017
	T€	T€
Receivable from factoring	2,249	1,304
Receivable from taxes	1,243	523
Remaining other assets	53	64
Transitory accruals and deferrals	41	35
Refund claims – energy tax	39	39
Book value at 31/12	3,625	1,965

The increase in current receivables/assets is mainly due to factoring receivables not yet purchased and due to refund claims for tax prepayments.

5. Liquid assets

Liquid assets amounting to T€298 consist of balances at banks for accounts available on call and cash in hand.

Non-current assets

The development of goodwill, other intangible assets, property, plant and equipment and other non-current financial assets are shown in the appended Assets analysis.

6. Goodwill

The goodwill reported as of the balance sheet date in the amount of T€2,178 results from the consolidation of the acquisition of the shares of Blomberger Holzindustrie GmbH.

For the purposes of the impairment test, goodwill was allocated to the cash-generating unit (CGU) Plywood.

The impairment tests to determine the recoverable amount were based on the value in use of the CGU, the calculations of which were based on forecast earnings derived from a five-year plan approved by the Management Board. Current and future probabilities, empirical values, expected economic developments and other circumstances were taken into account when determining the target figures. For the standard year (perpetual annuity) the target figures of the last planning year were used. As in the previous year, 11.0 % was used as the discount rate; as a precautionary measure, possible growth in the standard year was not taken into account.

The impairment tests performed did not result in an impairment of the cash-generating unit. From the Management Board's perspective, reasonably conceivable changes in the basic assumptions do not result in the book value exceeding the achievable amount of the CGU.

7. Other intangible assets

Intangible assets essentially consist of capitalised development costs, purchased software, industrial property rights and patents. They are measured at historical acquisition costs less scheduled depreciation or the lower fair value. For the scheduled depreciation, industrial property rights acquired against payment are depreciated over 3 years.

8. Property, plant and equipment

Property, plant and equipment consists of land and buildings acquired against payment, machines, plant and machinery, factory and office equipment, advance payments made and assets under construction. Depreciable property, plant and equipment are carried at the lower of fair value and amortised cost. Depreciable property, plant and equipment items are depreciated on a straight-line basis over their estimated useful lives.

9. Leasing and rental obligations

Finance lease

No assets were used under finance leases.

Operating lease and rental

The operating leasing agreements relate to various motor vehicles for Management and the sales force. The leases have an average term of 3 to 5 years. There are no renewal or purchase options at the end of the rental period. The leasing liabilities are not shown in the balance sheet.

	31/12/2018 T€	31/12/2017 T€
Minimum lease payments arising from operating leases in subsequent years	99	141
As of the balance sheet date, the Group had open obligations arising from non-cancellable operating leases that are due as follows:		
Up to one year	49	56
More than one year and up to five years	50	85
Over five years	0	0
Minimum lease payments in subsequent years	896	1,085
As of the balance sheet date, the Group had open obligations from rental agreements that are due as follows:		
Up to one year	189	189
More than one year and up to five years	707	756
Over five years	0	140

The obligations arising from rental agreements relate to rented production halls in Oberlungwitz.

The Delignit Group has reviewed all leasing agreements of the Group with regard to the new accounting regulations for leasing contracts in accordance with IFRS 16. The standard will affect recognition of non-cancellable operating leases and the Group's rental obligations starting from 1 January 2019. The Group will adopt the standard on a mandatory basis.

An asset arising from the right to use a leased object and a financial liability for rental payments are recognised. Exceptions to this rule are short-term and low-value leases. From the Group's point of view, all contracts with a term of less than 12 months are classified as short-term leasing contracts. All leases with an acquisition cost of less than T€5 are classified as low-value leasing contracts; each asset is valued individually, even if a leasing contract consists of several independently usable assets.

Operating leases are, as a rule, entered into for four years for company vehicles used for operating purposes. The leasing expenditure per year amounts to approx. T€45 for recognition of an asset, and a liability with an average lease term of two years with T€90 is expected. Replacing lease payments with depreciation will result in an increase in EBITDA in the amount of the lease payments no longer recorded, since depreciation for the assets will only be recognised after EBITDA. A material impact on the consolidated result is not anticipated.

For the DHK automotive GmbH site in Oberlungwitz, a 10-year rental contract was signed for rental of commercial space. The remaining obligation arising from the rental agreement as of 31/12/2018 was T€896, which will be used as the basis for recognition of a balance sheet asset or liability as of 1 January 2019. As with the operating leases, replacement of rental expenses through depreciation will result in an increase in EBTDA in the expected amount of one year's rent. A material impact on the consolidated net income is not anticipated.

10. Other non-current financial assets

Other non-current assets relate to advance payments to two OEM customers for non-current supply contracts. The financial assets will in future be recognised as expenses over the term of the contracts, based on the agreed supply volumes. In fiscal 2018, for external development contracts alone, costs were incurred amounting to T€106.

11. Deferred taxes

The deferred tax assets and liabilities by balance sheet item as at 31 December 2018 are shown in the table below:

	31/12/2018 T€ Asset	31/12/2018 T€ Liability
Deferred taxes due to temporary differences		
- Provisions for pensions/semi-retirement	278	0
- other provisions	3	117
- valuation allowances	0	21
- property, plant and equipment	0	968
	281	1,106

The deferred tax assets and liabilities by balance sheet item as at 31 December 2017 are shown in the table below:

	31/12/2017 T€ Asset	31/12/2017 T€ Liability
Deferred taxes on tax loss carry-forwards	56	0
Deferred taxes due to temporary differences		
- Provisions for pensions/semi-retirement	328	0
- other provisions	0	54
- valuation allowances	0	22
- property, plant and equipment	0	1,007
	384	1,083

12. Provisions

Current and non-current provisions developed as follows

	Status 01/01/2018 T€	Price fluc-tuations T€	Depletion T€	Liquida-tion T€	Allocation T€	Status 31/12/2018 T€
Non-current Provisions						
Anniversaries	19	0	2	0	2	19
Semi-retirement	0	0	0	0	62	62
	19	0	2	0	64	81
Provisions for taxes (current provisions)						
Trade tax	468	0	310	0	496	654
Corporation tax	361	0	381	0	430	410
Other	10	0	10	0	79	79
	839	0	701	0	1,005	1,143
	858	0	703	0	1,069	1,224

	Status 01/01/2017 T€	Price fluc-tuations T€	Depletion T€	Liquida-tion T€	Allocation T€	Status 31/12/2017 T€
Non-current Provisions						
Anniversaries	19	0	2	0	2	19
	19	0	2	0	2	19
Provisions for taxes						
Trade tax	128	0	0	0	340	468
Corporation tax	164	0	0	0	197	361
Other	8	0	0	0	2	10
	300	0	0	0	539	839
	319	0	2	0	541	858

The anniversary provision is formed for legally promised employee benefits. After 10, 25, 30, 40 or 50 years with the company, employees are entitled to a monetary benefit.

There were no contingent liabilities as at the balance sheet date.

13. Liabilities

The liabilities have the following maturities:

	Up to one year T€	More than one and up to five years T€	Over five years T€	Total T€
Liabilities to banks	5,090	2,375	657	8,122
Trade liabilities	4,312	0	0	4,312
Provisions with a liability nature	1,848	0	0	1,848
Other liabilities	1,470	220	186	1,876
Status 31/12/2018	12,720	2,595	843	16,158

The tax provisions amounting to T€1,143 and the provisions with a liability character amounting to T€1,847 are totalled in the IFRS consolidated balance sheet under the item "Other current provisions".

	Up to one year T€	More than one and up to five years T€	Over five years T€	Total T€
Liabilities to banks	1,379	2,541	1,060	4,980
Trade liabilities	2,618	0	0	2,618
Provisions with a liability nature	2,254	0	0	2,254
Advance payments received	970	0	0	970
Other liabilities	1,399	311	202	1,912
Status 31/12/2017	8,620	2,852	1,262	12,734

Liabilities to banks are stated at interest rates of between 1.0 % and 4.5 % (PY 0.9 % and 4.5 %) unchanged. Land and buildings, machinery and inventories were pledged as collateral. The book value of the pledged assets amounted to T€6,520 (PY T€7,702).

14. Provision with a liability nature

The current provisions with a liability nature consist of the following:

	31/12/2018 T€	31/12/2017 T€
Uncertain liabilities	768	1,401
Outstanding invoices	330	152
Wages and salaries	275	162
Holiday entitlements	250	224
Other provisions	74	166
Costs for financial statements and audits	106	96
Bonuses	45	53
	1,848	2,254

The provisions for uncertain liabilities include provisions for the virtual stock option program for Management amounting to T€419 (PY T€1,323).

15. Other liabilities

The disclosure of current and non-current liabilities includes the following:

	31/12/2018 T€	31/12/2017 T€
Current		
other debtors	420	405
Wages and salaries	466	404
Payroll tax	323	279
VAT	66	237
Liabilities, hire-purchase	90	41
Other	105	33
	1,470	1,399
Non-current		
Liabilities, hire-purchase	220	311
Provident fund	186	202
	406	513
	1,876	1,912

16. Provisions for pensions and similar obligations

The company pension plan exists for former limited partners and managing directors of Blomberger Holzindustrie GmbH.

	2018 T€	2017 T€
Pension provisions at the beginning of the fiscal year	1,365	1,498
- Claim	-144	-144
+ Allocation to the provision (interest cost)	18	59
Actuarial gain (+) / loss (-) (incl. related deferred taxes)	-47	-48
Pension provisions at the end of the fiscal year	1,192	1,365

The following actuarial assumptions have been used:

	2018 %	2017 %
Actuarial interest	1.40	1.40
Pension trend	2.00	2.00

Sensitivity analysis

The sensitivity analysis for pension obligations shows the extent to which changes, e.g. in interest rates or pension increases, affect the pension obligation:

At an interest rate of 1.9 % and a pension increase of 2.0 percentage points, the obligation amounts to T€1,150, i.e.: If the interest rate is changed by one-half of a percentage point, the obligation changes by T€41.

At an interest rate of 1.4 % and a pension increase of 1.5 percentage points, the obligation amounts to T€1,150, i.e.: If the pension increase is changed by half a percentage point, the obligation changes by T€41.

The liabilities are appropriate for the obligation (DBO). The benefit plans are not funded.

Publication of the amendments to IAS 19 by the IASB has had an impact on the recognition and measurement of defined benefit pension plans in the consolidated financial statements. Actuarial gains and losses are recognised directly in equity in the consolidated financial statements under Other comprehensive income (OCI). The pension reserve was set aside for the past with T€544 so that the pension reserve developed as follows:

Pension reserve 31/12/2017:	T€544
Actuarial loss:	+ T€34
Latent taxes:	- T€10
Pension reserve 31/12/2018:	T€568

The expected pension payments from the pension plans for 2019 amount to T€114.

In addition there is a provident fund relief fund. The pension scheme was closed on 30 May 1994. The corresponding obligations are reported under Other non-current liabilities.

17. Equity

Subscribed capital

The share capital of Delignit AG is reported as subscribed capital. The subscribed equity in the amount of €8,193,900.00 is divided into 8,193,900 no-par value bearer shares (shares without a nominal amount), each with a calculable portion of €1.00 of the share capital of the company.

According to the resolution of the General Meeting of 26 August 2015 the Management Board is authorised, by revoking the resolution relating to ITEM 5 of the General Meeting of 17 August 2011, to increase the share capital of the company with the approval of the Supervisory Board until 25 August 2020 once or several times by up to a total of €4,096,950.00 against cash deposits and/or contributions in kind by issuing new no-par value bearer shares (approved capital 2015).

In addition, the Management Board was authorised in the General Meeting of 26 August 2015, with the approval of the Supervisory Board until 25 August 2020 to issue bearer and or registered convertible bonds and/or option bonds with a total amount of up to €81,939,000.00 with a term of no longer than ten years and to grant the creditors of these bonds conversion rights to new no-par value bearer shares of Delignit AG with a pro rata share of the share capital of up to a total of €4,096,950.00, subject to the specific conditions of the bonds (conditional capital 2015).

Information concerning changes in equity is provided in the "IFRS consolidated statement of changes in equity as of 31 December 2018".

The shares are held as follows:

MBB SE:	76.1 %
Free float:	23.9 %

18. Capital reserve

The capital reserve includes the net proceeds from the capital increase carried out on 26 September 2007 as part of the first listing in the Entry Standard of the Frankfurt Stock Exchange in the amount of T€5,250. The IPO costs of T€442 were offset against the capital reserve. In addition, the capital reserve includes the share premium from the acquisition of 18.3 % of the limited partner's shares in Blomberger Holzindustrie GmbH (before conversion on 10 February 2015 Blomberger Holzindustrie B. Hausmann GmbH & Co. KG) in the amount of T€2,516. With the capital increase resolved on 8 November 2010, proceeds from the issue exceeding the share capital in the amount of T€198, less the expenses for the capital increase of T€41, were transferred to the capital reserve.

By resolution of the Management Board of 28 October 2011, the accumulated loss as at 31 December 2010 was offset against the capital reserve in the financial statements as at 31 December 2011.

IV. Notes to the profit and loss account

1. Revenues

Revenues are distributed among the following regions:

	2018 T€	2017 T€
Germany	33,945	33,287
EU	23,448	15,969
Other	2,880	3,427
	60,273	52,683

In percentage terms, this results in the following breakdown of revenues by region:

	2018	2017
Germany	56.3 %	63.2 %
EU	38.9 %	30.3 %
Other	4.8 %	6.5 %
	100.0 %	100.0 %

The Delignit Group generates revenues of more than 10.0 % of total Group revenue, with a total of two OEM groups, with deliveries and invoicing to different Group companies. The revenues result from different products and model series within the OEM groups. Revenues with these two groups reached 33.3 % for the largest OEM customer (PY 34.5 %) and with the second largest OEM customer 28.8 % (PY 24.3 %).

Recognition of revenues in accordance with the provisions of IFRS 15 has been audited. Since the Delignit Group does not yet manufacture products tailored to a specific customer, in such a manner that these products can be used exclusively for that customer, the Company could not expect any consideration for finished products. At the balance sheet date, there was no specific obligation to purchase products for customers. The Delignit Group has not realised any revenue from completed but not yet delivered products.

2. Other operating income

Other operating income is broken down as follows:

	2018 T€	2017 T€
Income from the reversal of value adjustments	94	11
Income from previous fiscal years	53	10
Income from bonus agreements	36	122
Income from damage claims	31	35
Income from cost allocations	29	29
Income from the reversal of provisions with a liability nature	6	57
Other income	32	63
	281	327

3. Cost of materials

The cost of materials is broken down as follows:

	2018 T€	2017 T€
Expenses for raw materials	21,480	18,238
Expenses for trade goods	4,525	5,155
Freight costs	2,619	1,378
External services	2,451	1,965
Other material and energy	2,862	2,539
	33,937	29,275

4. Personnel costs

Personnel costs are broken down as follows:

	2018 T€	2017 T€
Wages and salaries	13,839	12,021
Social security contributions and expenses for pensions	2,481	2,362
Other personnel costs	10	200
	16,330	14,583

The expenses for wages and salaries include allocations to provisions and utilisation from the virtual stock option programme for Management amounting to T€1,240 (PY T€709). With regard to details, we refer to the comments concerning the remuneration of the Management Board in section VII (Other mandatory disclosures).

5. Depreciation of intangible assets and of property, plant and equipment

Depreciation is broken down as follows:

	2018 T€	2017 T€
Depreciation on intangible assets	210	216
Depreciation on property, plant and equipment	1,404	1,517
	1,615	1,733

As in the previous year, no value adjustments from impairments or write-ups of assets in accordance with IAS 36 were made in 2018.

6. Other operating expenses

Other operating expenses are broken down as follows:

	2018 T€	2017 T€
Maintenance expenses	1,839	1,561
Law and consulting	349	333
Allocation to value adjustments	315	299
External services	270	204
Rent, leasehold, leasing	250	270
Travel expenses/vehicle expenses	229	197
Warranty expenses	227	56
Advertising expenses	175	84
Insurance	172	154
Development costs	164	163
Incidental expenses for monetary transactions	85	100
Telephone, postage, remote data transmission	53	41
Fees and contributions	54	37
Legal costs	0	13
Other	715	510
	4,897	4,022

7. Financial expenses

	2018 T€	2017 T€
Bank interest	127	153
Other interest	55	43
	182	196

8. Taxes

Taxes are broken down as follows:

	2018 T€	2017 T€
Income taxes	1,244	947
Other taxes	26	61
	1,270	1,008

Details of deferred tax assets and liabilities are provided in the previous section. Deferred taxes are calculated on the basis of a tax rate of 30.0 % for the domestic Group companies.

Offsetting and reconciliation between income tax expense and the product of the balance sheet result for the period and the applicable tax rate for the Group for the 2018 and 2017 fiscal years, are as follows:

	2018 T€	2017 T€
Earnings before income taxes	3,842	2,936
Theoretical income tax expense (30.0 %)	-1,153	-881
Tax additions/reductions	-91	-66
Actual income tax expense	-1,244	-947

9. Earnings per share

Earnings per share are calculated by dividing the net income attributable to holders of the ordinary shares of the parent company by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
Net income attributable to the holders of ordinary shares of the parent company	€2.572.700	€1,927,346
Weighted average number of ordinary shares used to calculate earnings per share	8,193,900	8,193,900
Earnings per share	€0.31	€0.24

V. IFRS consolidated cash flow statement

Notes to the IFRS consolidated cash Flow Statement

The IFRS consolidated cash flow statement shows how liquid assets of the Delignit Group changed in the financial year as a result of cash inflows and outflows. In accordance with IAS 7, a distinction is made between cash flows from the ongoing operating, investing and financing activities.

The net financial position considered in the IFRS consolidated cash flow statement includes all liquid assets reported in the balance sheet, credit balances at banks, if these credit balances are available within three months (calculated from the date of acquisition) without significant fluctuations in value. Cash flows from investing and financing activities are determined directly, i.e. on the basis of payment. The cash flow from operating activities, on the other hand, is derived indirectly from the earnings for the period.

As in the previous year, the Group did not carry out any non-cash investment and financing activities during the fiscal year.

VI. Objectives and methods of financial risk management

1. Financial assets and liabilities

The Group's main financial liabilities are non-current and current liabilities to banks, current trade liabilities and other non-current and current liabilities. The material financial assets of the Group consist of liquid assets, securities, trade receivables and other receivables. The book value of the financial assets recognised in the consolidated financial statements less impairment constitutes the maximum default risk. It amounts to a total of T€10,111 (PY T€5,206). Business relationships are only entered into with creditworthy contractual partners. Available financial information and our own trading records are used to assess the creditworthiness of major customers, in particular. Trade receivables are due from a number of customers distributed over different industries and regions. Regular credit assessments are carried out with regard to the financial portfolio of receivables. Usually a payment target of 30 days without deduction is granted. No value adjustments were made for trade receivables that were overdue as of the balance sheet date, provided that significant changes in the creditworthiness of the customers were not identified and payment of the outstanding amounts is expected.

With regard to the maturities of financial liabilities, we refer to our comments under section III. 13. “Liabilities”.

Valuation of the Delignit Group's financial assets and liabilities is presented under II. 11. “Financial assets held as current assets” and II. 16. "Financial liabilities" in the notes to the general accounting policies.

Categorically, the Group does not exercise the fair value option. On the current balance sheet date or the last balance sheet date, the Group has neither financial assets that were held for trading nor financial assets or liabilities measured at fair value through profit or loss. Derivatives and hedging transactions were not entered into.

No reclassification was made in 2018 or 2017.

2. Capital risk management

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its growth targets through financial flexibility, while at the same time optimising financing costs. The overall strategy in this regard is unchanged compared to the previous year. Management reviews the capital structure at least every six months. In this process the cost of capital, the collateral provided and the open credit lines and credit possibilities are reviewed. The Group is not subject to any externally imposed capital requirements.

3. Financial risk management

The monitoring of financial risk is controlled centrally by Management. The specific financial risks are always reviewed at least quarterly.

The main risks to the Group arising from financial instruments include market risks, liquidity risks and credit risks. The credit risk is controlled by the fact that business relationships are only entered into with creditworthy contractual partners. Moreover, assessments by independent rating agencies, other available financial information and our own trading records are used to assess creditworthiness, in particular the creditworthiness of major customers. Credit risks are controlled via limits per contractual partner, which are reviewed and approved annually. In addition, the amounts of receivables are monitored on an ongoing basis, so that the Delignit Group is not exposed to any significant credit risk. The maximum default risk is limited to the respective book value of the assets reported in the balance sheet.

The Group manages liquidity risks by maintaining appropriate reserves, credit lines with banks and monitoring and maintaining loan agreements. Cash flows are carefully planned and actual and forecast cash inflows and outflows are reconciled. Management expects the Group to be able to meet its other financial obligations from operating cash flows and from the inflow of maturing financial assets.

4. Market risks

Market risks can arise from changes in exchange rates (exchange rate risk) or interest rates (interest rate risk). Due to the minimal relevance of exchange rate risks for the Group, exchange rate risks were not hedged through derivative financial instruments. These risks are controlled through continuous monitoring. Exchange rate risks are largely avoided by the fact that the Group mainly invoices in euros or local currency.

The Group is exposed to interest rate risks by borrowing funds at variable interest rates. In the Delignit Group, this risk is controlled by an appropriate ratio between fixed and variable interest agreements. Derivatives (e.g. interest rate swaps or forward interest rate agreements) are not used to hedge the exposure. As of the balance sheet date, there were variable-interest liabilities amounting to T€4,402 (PY T€494). If the interest ceteris paribus had been 2 percentage points higher (or lower) if a corresponding average debt had been assumed, the pre-tax result would have been T€88.0 lower (or higher).

5. Fair value risk

The financial instruments of the Delignit Group not recognised at fair value primarily include cash and cash equivalents, trade receivables, other current assets, liabilities to banks, trade liabilities and other liabilities.

The book value of cash and cash equivalents is quite close to the fair value, due to the short maturities of these financial instruments. For receivables and liabilities based on normal credit terms, the book value based on historical acquisition cost is also quite close to fair value.

VII. Other mandatory disclosures

1. Mandatory disclosures

Management Board

The following persons were members of the Management Board of Delignit AG in fiscal year 2018:

- Markus Büscher, Business Economist, CEO
  (areas Strategic Development, Controlling, Human Resources, Legal, Purchasing, IT, Production, R&D, Investor Relations)

- Thorsten Duray, Industrial Manager, Management Board
  (areas Marketing and Sales)

Supervisory Board

The following persons were members of the Supervisory Board of Delignit AG in fiscal year 2018:

- Dr Christof Nesemeier, Chairman of the Supervisory Board
  (also: member of the Board of Directors and Managing Director (CEO) of MBB SE, Berlin, and a member of the Supervisory Board of Aumann AG)

- Gert-Maria Freimuth, Deputy Chairman of the Supervisory Board
  (also: Chairman of the Administrative Board of MBB SE, Berlin, Chairman of the Supervisory Board of DTS IT AG, Herford, and Chairman of the Supervisory Board of Aumann AG, Beelen)

- Anton Breitkopf
  (also: Member of the Administrative Board of MBB SE, Berlin, and Member of the Supervisory Board of DTS IT AG, Herford)

2. Remuneration of the Management Board

The remuneration of the Management Board consists of a fixed and a variable component. The Management Board also receives reimbursement of expenses against receipt. In addition, the Management Board is also insured via a Group D&O insurance policy with a deductible of 10.0 % and an accident insurance policy, and the Management Board receives a subsidy for private health insurance and long-term care insurance. Moreover each member of the Management Board also uses a company car. The members of the Management Board also receive continued pay in the event of illness for up to 6 weeks. No other benefits (e.g. pension entitlements, direct commitments or severance payments) have been agreed.

An additional entitlement to 45,000 shares arose from the virtual stock option programme of the 2013 Management Board contracts for the 2018 fiscal year, so that all shares from Stock Option Programme I (Management Board contracts 2013) were allocated and ready to be exercised in the 2018 fiscal year. In June 2018, the Management Board fixed the price of 240,000 shares and announced that it would realise them. In a resolution passed on 28 June 2018, the Supervisory Board determined that the calculation was in order and that the shares were ready for allotment, and thus approved the payment of a total of €2,217,100 for the Management Board.

At the end of the year, there is a remaining entitlement from Stock Option Program I (Management Board contract 2013) of 60,000 shares (starting price of €1.30) and from Stock Option Program II (Management Board contracts 2017), an additional 15,000 shares (starting price of €5.82). The relevant exercise price as of 31 December 2018 was set at €6.86/share. The fair value of all virtual stock options as of the balance sheet date 31 December 2018 thus totalled €349,085.59.

After deduction of the amounts already reported in the previous year based on the closing rate of €6.49/share, from the provision in the amount of €1,326,300.00, established and recognised as of 31 December 2017, thus a cumulative expense for fiscal year 2018 arises from the stock option programs I and II in the amount of €1,239,885.59.

	2018 T€	2017 T€
Fixed salary	T€329	T€312
Fiscal year bonus	T€168	T€146
Virtual stock option program	T€1,240	T€710
Total remuneration of the Management Board	T€1,737	T€1,168

3. Transactions between related parties and persons

a) Related parties

Delignit AG is a dependent company as defined in section 17 of the German Stock Corporation Act. The controlling company is MBB SE, Berlin. A controlling agreement does not exist.

The affiliated companies included and not included in the consolidated financial statements must be regarded as related parties. Transactions between the Company and its subsidiaries have been eliminated through consolidation and are not explained in these notes or are of subordinate significance and are customary in the industry.

b) Management Board

Reference is made to the comments concerning the remuneration of the Management Board. Other than the remuneration cited above no business was transacted with the Delignit Group.

c) Members of the Supervisory Board of Delignit AG

In the 2018 fiscal year, the members of the Supervisory Board received fixed remuneration of T€45.The fixed remuneration is distributed among the members as follows:

- Chairman, Dr Christof Nesemeier, T€20
- Deputy Chairman, Mr Gert-Maria Freimuth, T€15
- Member, Mr Anton Breitkopf, T€10

4. Number of employees

The average number of employees during the 2018 fiscal year was as follows:

	2018	2017
Employees	352	326

The Delignit Group employed 361 people in Germany on the reporting date.

5. Auditor's fees

The fees recorded for the auditor in the 2018 fiscal year are broken down as follows:

a) Final audit:	T€54.0
b) Tax consulting:	T€41.3
Total:	T€95.3

6. Events after the balance sheet date

No events occurred after the balance sheet date that would be classified as material.

7. Appropriation of profits

The Management Board and the Supervisory Board will discuss the use of the balance sheet profit shown in the annual financial statements of Delignit AG for the year 2018, in the amount of €3,608,360.93, at the Supervisory Board meeting to be held on 28 March 2019. The Management Board proposes to place an amount of €3,000,000.00 in retained earnings, to distribute a dividend of €409,695.00 or €.05 (based on the shares outstanding at the time this report was published) and to carry forward the remaining amount of €198,665.93.

8. Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable principles for proper consolidated financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Blomberg, 20 March 2019

Markus Büscher CEO	Thorsten Duray CSO

Statement of Changes in IFRS consolidated fixed assets as of 31 December 2018 of Delignit AG, Blomberg

	Total acquisition costs and production costs T€	Additions in the fiscal year T€	Reposting T€	Depreciation in its total amount T€	Book value at the end of the fiscal year T€	Book value at the end of the previous year T€	Depreciation of the fiscal year T€
I. Intangible assets							
1. Concessions, industrial property rights and similar rights and assets, as well as licenses for such rights and assets	1,288	7	0	731	564	659	101
2. Capitalised development costs	761	0	0	537	224	336	112
3. Goodwill	1,000	0	0	1,000	0	0	0
4. Group goodwill	2,178	0	0	0	2,178	2,178	0
5. Advance payments	59	392	0	0	451	59	0
	5,287	399	0	2,268	3,418	3,232	213
II. Property, plant and equipment							
1. Land, land rights and buildings, including buildings on third-party land	12,558	24	0	7,867	4,715	4,916	225
2. Technical equipment and machinery	19,169	-33	3,815	16,991	5,959	2,868	691
3. Other equipment, factory and office equipment	8,390	657	0	7,797	1,250	1,079	486
4. Advance payments and assets under construction	3,896	1,910	-3,815	0	1,991	3,896	0
	44,012	2,558	0	32,655	13,915	12,759	1,402
	49,299	2,957	0	34,923	17,333	15,992	1,615

AUDIT OPINION OF THE AUDITOR

To Delignit AG, Blomberg

Audit opinions

We have audited the consolidated financial statements of Delignit AG, Blomberg, and its subsidiaries (the Group), comprising the consolidated balance sheet as of 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 January to 31 December 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Delignit AG, Blomberg, for the fiscal year from 1 January to 31 December 2018.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU, and the additional requirements of German statutory regulations as stipulated in section 315e para. 1 of the German Commercial code (HGB) and give a true and fair view of the net assets and financial position of the Group as of 31 December 2018 and of its results of operations for the fiscal year from 1 January to 31 December 2018 in accordance with these requirements, and

- that the accompanying group management report overall accurately represents the Group's current situation. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German statutory regulations and accurately presents the opportunities and risks of future development.

In accordance with section 322 para 3 sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these regulations and principles is described more extensively in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report", of our audit opinion. We are independent of the Group companies in accordance with German commercial law and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate for providing a basis for our audit opinions concerning the consolidated financial statements and the group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements of German law stipulated in § 315e para. 1 of the German Commercial Code, and for presentation of the net assets, financial position and results of operations of the Group in accordance with these requirements. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary to enable preparation and fair presentation of financial statements that are free from material misstatement, whether intentional or unintended.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, the legal representatives are also responsible for disclosing matters relating to the continuing business activity, if relevant. Moreover, the legal representatives are responsible for accounting under the going concern assumption, unless there is an intent to liquidate the Group or discontinue operations, or there is no realistic alternative in this regard.

Moreover, the legal representatives are responsible for preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Also, the legal representatives are responsible for the precautions and measures (systems) they have deemed necessary to permit the preparation of a group management report in accordance with the applicable German statutory regulations and to provide sufficient and suitable evidence for the statements in the group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process that is employed for preparing the consolidated financial statements and the group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the group management report

Our objective is to obtain reasonable assurance, as to whether the consolidated financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the group management report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to express an opinion that includes our audit opinion of the consolidated financial statements and the group management report.

Sufficient assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with section 317 of the German Commercial Code (HGB) and in accordance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always reveal a material misstatement. Misstatements can result from violations or inaccuracies and are regarded as material, if it could reasonably be expected that such misstatements will individually or collectively influence the economic decisions of addressees made on the basis of these consolidated financial statements and the group management report.

During the audit, we exercise our best judgement and maintain a critical attitude. In addition

- we identify and evaluate the risks of material misstatement, whether intentional or unintentional, of the consolidated financial statements and the group management report, plan and perform audit procedures in response to those risks, and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements will not be detected is greater for violations than it is for inaccuracies, since violations may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation, or the overriding of internal controls.

- we gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the precautions and measures relevant to the audit of the group management report, in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the reasonableness of accounting estimates made and related disclosures made.

- we draw conclusions concerning the appropriateness of the accounting principle applied by the legal representatives for the continuation of the business activity and, on the basis of the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to express an opinion on the related consolidated financial statements and on the group management report or, if the information is inappropriate, we are required to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances, however, can result in the fact that the Group is no longer able to continue its business activities.

- we have assessed the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, as well as whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional requirements of German law set out in section 315e para. 1 of the German Commercial Code (HGB).

- we obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the Group to express an opinion on the consolidated financial statements and the group management report. We are responsible for the direction, monitoring and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

- we assess the consistency of the group management report with the consolidated financial statements, its legal pronouncements and the depiction of the Group's position conveyed by the group management report.

- we perform audit procedures on the forward-looking statements in the group management report as presented by the legal representatives. On the basis of sufficient and suitable audit evidence, we particularly verify the significant assumptions, on which the forward-looking statements of the legal representatives are based, and assess the proper derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will deviate materially from the forward-looking statements.

Among other things, we discuss with the persons responsible for monitoring, the planned scope and timing of the audit and significant findings of the audit, including any deficiencies in the internal control system that we identify during our audit.

Cologne, 20 March 2019

Rödl & Partner Ltd
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Signed Stramitzer Auditor	Signed Wiethe Auditor

Condensed version of the annual financial statements 2018 of Delignit AG

Balance sheet

Assets	31/12/2018 in T€	31/12/2017 in T€
Property, plant and equipment	0	0
Financial assets	10,429	9,488
Property, plant and equipment	**10,429**	**9,488**
Receivables and other assets	3,652	3,794
Cash and cash equivalents and credit balances at financial institutions	258	263
Current assets	**3,910**	**4,057**
Balance sheet total	**14,339**	**13,545**

Liabilities		
Equity	12,791	11,580
Provisions	1,468	1,852
Other liabilities	80	113
Balance sheet total	**14,339**	**13,545**

Profit and loss account	31/12/2018 in T€	31/12/2017 in T€
Revenues	610	616
Other operating income	117	0
Personnel costs	1,825	1,179
Other operating expenses	378	252
Income from investments	0	0
Income from profit transfer agreements	3,394	3,253
Interest and similar income	444	266
Interest and similar expenses	0	0
Result from ordinary activities	**2,362**	**2,704**
Taxes on income and earnings	741	641
Annual surplus	**1,621**	**2,063**
Profit carried forward from previous year	2,397	580
Distribution to shareholders	410	246
Balance sheet profit	**3,608**	**2,397**

Financial calendar

Annual report 2018:

by the end of April 2019

General Meeting 2019:

4 June 2019

Half-year report 2019

by the end of August 2019

End of fiscal year 2019:

31 December 2019

Contact

Investor Relations

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Notes:

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