

2016 | Jaarverslag | Annual Report

MCB International





Management report 2016

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Corporate profile and key figures

Corporate profile

MCB International BV is a holding company with group companies in the Netherlands, Belgium and Germany. The group companies are primarily active as wholesalers and Service Centres dealing in metals such as steel, stainless steel, aluminium, copper and brass. The holding company and the group companies together form the MCB Group.

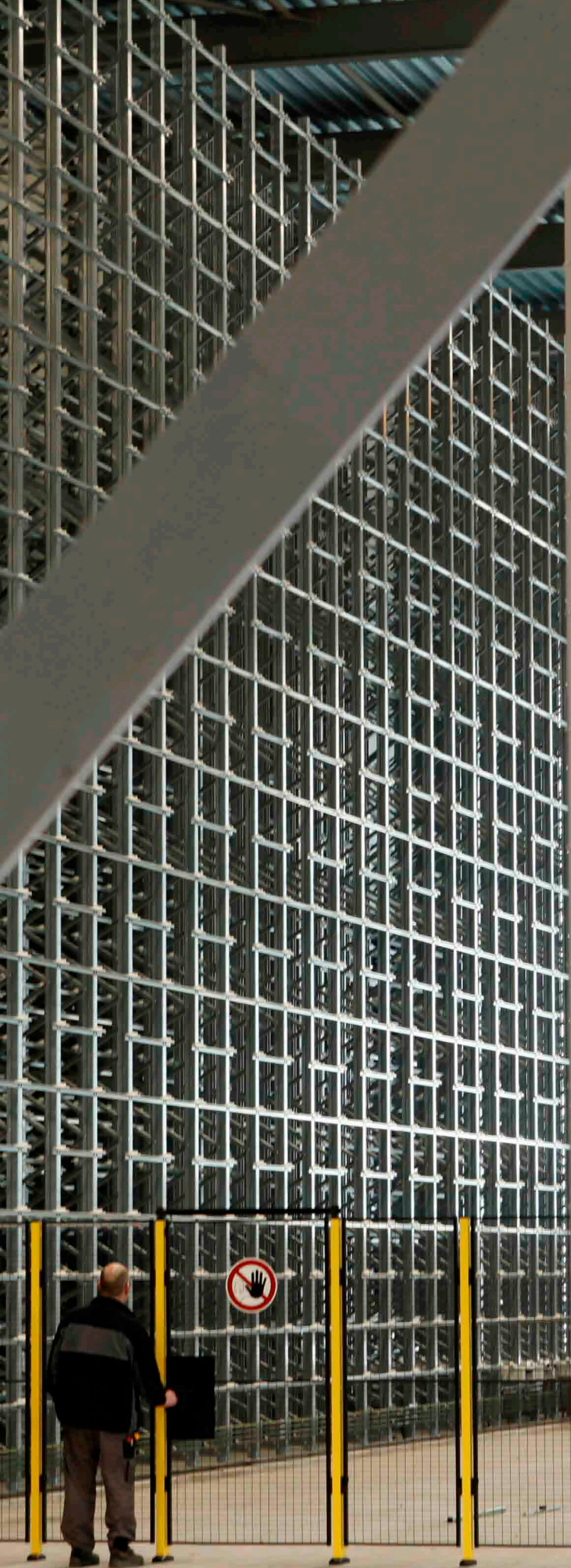
The MCB Group is continually looking for ways to increase added value to both customers and suppliers. Significant added value is provided by the ability to fill custom orders in the various Service Centres. MCB also carefully tailors its range of products to the customer's specific requirements and offers expert advice and creative solutions for the use and processing of products. MCB thinks along with its customers, offering quality products and a broad range of services, including logistics.

The companies of the MCB Group play an intermediary role in the production and marketing chain by supplying the right materials in the right place at the right time. MCB International provides centralized facilities whereby the individual group companies can benefit from the advantages of scale offered by the MCB Group.

Key figures for 2016

Amounts in thousands of euros

Net sales	585,157
Net profit before non-recurring items	25,423
Non-recurring items:	
Other items	-1,448
Net profit after non-recurring items	23,975
Net cash flow	21,869
Capital expenditure	10,538
Group equity	127,385
Interest-bearing loan capital	38,628
Non-interest-bearing loan capital	93,690
Fixed assets	78,492
Current assets	181,211
Average number of employees	822





Report of the Supervisory Board

To the shareholders

The Supervisory Board has pleasure in presenting the financial statements prepared by the Board of Management and co-signed by the Supervisory Board, together with the report of the Board of Management, for your approval.

Consultations and decisions

The Supervisory Board convened on six occasions during the reporting year. Each meeting considered a number of recurring agenda items, including the implementation of the strategic plan presented in 2015, financial developments, and the operational strategy and the policy plans of the individual group companies. The meeting at which the financial statements were discussed, held on 20 April 2017, was also attended by the external auditor, PricewaterhouseCoopers Accountants N.V. This meeting also considered the report of factual findings.

The annual consultation meeting of the Supervisory Board and the Works Council of MCB Nederland BV was held on 9 December 2016. Mr E.H.M. van den Assem stood down as Chairman of the Supervisory Board of MCB International BV with effect from 1 July 2016. He was succeeded by Mr A.G. Fortanier.

Developments in 2016

The markets in which MCB is active showed further recovery in demand in 2016, continuing the trend which began in 2015. Although price levels in the sector continued to fall during the first few months of 2016, they eventually bottomed out and rose again. Raw material prices remained particularly volatile.

MCB's operational performance improved further in 2016 and this was reflected by a rise in customer satisfaction levels. Significant progress was made in 2016 in the implementation of the strategic plan presented in 2015. The main objective of this plan is to ensure that MCB consolidates its position in the supply chain for metals and specials as a partner offering clear added value to its customers and suppliers.

The reporting year saw the completion of a fully-automated high-rise warehouse. It will become operational during the first quarter of 2017. A new web portal was launched and further enhancements were made to both the CRM and EDI systems. And a major rebranding programme was implemented to create a uniform 'look and feel' for all group companies. These positive developments are reflected in the underlying financial results. We therefore conclude that MCB has taken advantage of the general market recovery to achieve visible improvement in its own financial position.



Prospects for 2017

Implementation of the strategic plan will continue in 2017, beginning with the operationalization of the new fully-automated high-rise warehouse. We will also develop new concepts in e-commerce and chain optimization. In 2017 MCB will pursue an innovative strategy in the field of digitization with the overall objective of ensuring that customers enjoy prompt and flawless service at all times. These projects will establish a sound basis from which to increase our market share in various target regions. We expect to see further growth in market demand in 2017, as well as ongoing improvement in our operational performance. We therefore anticipate a positive earnings performance in 2017.

Financial statements and discharge from liability

PricewaterhouseCoopers Accountants N.V. has issued an unqualified auditor's report on the financial statements of MCB International BV for 2016. These financial statements were discussed at our meeting of 20 April 2017, at which it was decided that both the financial statements and the proposed profit appropriation would be submitted for approval to the General Meeting.

We therefore advise and request the shareholders to approve the financial statements for 2016, to discharge the Board of Management from liability for its conduct of business, and to discharge the Supervisory Board from liability for its supervision during the year.

Word of thanks

The Supervisory Board wishes to thank the Board of Management and all employees of the various MCB Group companies for their efforts and commitment in 2016. We are confident that the positive developments will continue in the years ahead.

Valkenswaard, 24 May 2017

The Supervisory Board

A.G. Fortanier (Chairman)
E.H.M. van den Assem
W.T.J. Das
G.M.J. van Kempen

Report of the Board of Management

In 2016 we noted increasing market activity among our customers, prompted by the economic recovery in 2015. Raw material prices, which had shown a significant fall in 2015, declined yet further during the early months of 2016. Recovery set in during the second quarter when raw material prices in all product groups began to rise. This was partly due to the improved global economic conditions but also owed much to the anti-dumping measures implemented by Europe and the United States.

MCB's operational performance showed further improvement in 2016, most notably in terms of reliability of supply, lead times and the availability of standard products. In addition, the number of customer complaints fell further in 2016. These factors ensured that overall customer satisfaction was even higher in 2016.

Implementation of the long-term strategy plan continued during the reporting year. The objectives of this plan are clear: MCB wishes to reaffirm its position as an essential partner to all customers and suppliers in the supply chain of standard metals and specials. Rather than acting as a passive intermediary, MCB wishes to offer real added value. MCB can and will play a coordinating and directing role throughout the chain – from supplier to customer – and adopt a proactive approach when identifying the materials, services, solutions and quality with which it can best meet its customers' requirements and expectations. In addition to standard (customer-specific) materials, MCB also offers specialist products and expertise. In short, MCB stands for reliability, cooperation and progress. MCB is a modern organization. Through automation, digitization and the efficient use of manpower and machines, MCB is able to offer its services at highly competitive prices. MCB therefore makes a significant contribution to the long-term competitive strength of the manufacturing industry. MCB Nederland's new web portal went live in 2016, and preparations were made for it to be rolled out among the other group companies in the foreseeable future. Further investments were made in our CRM system. A greater number of customers and suppliers now have access to the Electronic Data Interchange (EDI) system through which business information can be exchanged in a standard digital format. The construction of a fully-automated high-rise warehouse for long products began during the reporting year.

Work has proceeded to schedule and the new warehouse is expected to become operational during the first quarter of 2017. Parallel to this development, the back office in Valkenswaard is to be modernized. This investment will prepare us for the future, enabling further growth and improvement of our customer service. In November, several of MCB's established sales formulas were revised as part of a rebranding exercise. The message is clear: MCB should be seen as a single, unified entity. It is a group of companies, each of which has its own character and specializations, but all come together to complement each other. The sum result is optimum service for the customer. As a result of the rebranding, Hamel is now known as MCB Specials and Staalmarkt operates under the name MCB Direct.

Real estate owned by MCB Deutschland was sold in 2016 and the organization relocated to new premises in Neuss. It was decided to close one of the Belgian branches of MétalSERVICE at the end of 2016. This move was prompted by a desire to secure the profitability of the remaining MétalSERVICE location in Awans, Belgium.

Net sales showed only a slight year-on-year increase: from 585.0 million euros in 2015 to 585.2 million euros in 2016. Sales volume increased by 6.7 per cent over the same period. The MCB Group closed the year 2016 with a pre-tax profit of 21.2 million euros. This includes an amount of 1.4 million euros in respect of non-recurring items.

The market in 2016

Like 2015, the reporting year was marked by growth. The ongoing upturn in industrial activity helped to reinforce the economic recovery seen thus far. According to the Netherlands Bureau for Economic Policy Analysis (CPB), the Dutch economy showed growth of 2.1 per cent in 2016, partly due to improved industrial performance. Figures issued by ING suggest that Dutch manufacturing output increased by 2.0 per cent in 2016 (compared to 0.6 per cent in 2015). Growth in the metals industry lagged behind somewhat (at 0.5 per cent) due to the decline in the oil (supply) sector.

With growth of 8.2 per cent, the Dutch construction industry enjoyed a record year in 2015. According to ING, growth in this sector slowed to 6.5 per cent in 2016. The same source states that the total sales value of the metals and ores wholesale sector, in which MCB operates, fell by 5 per cent in 2016.

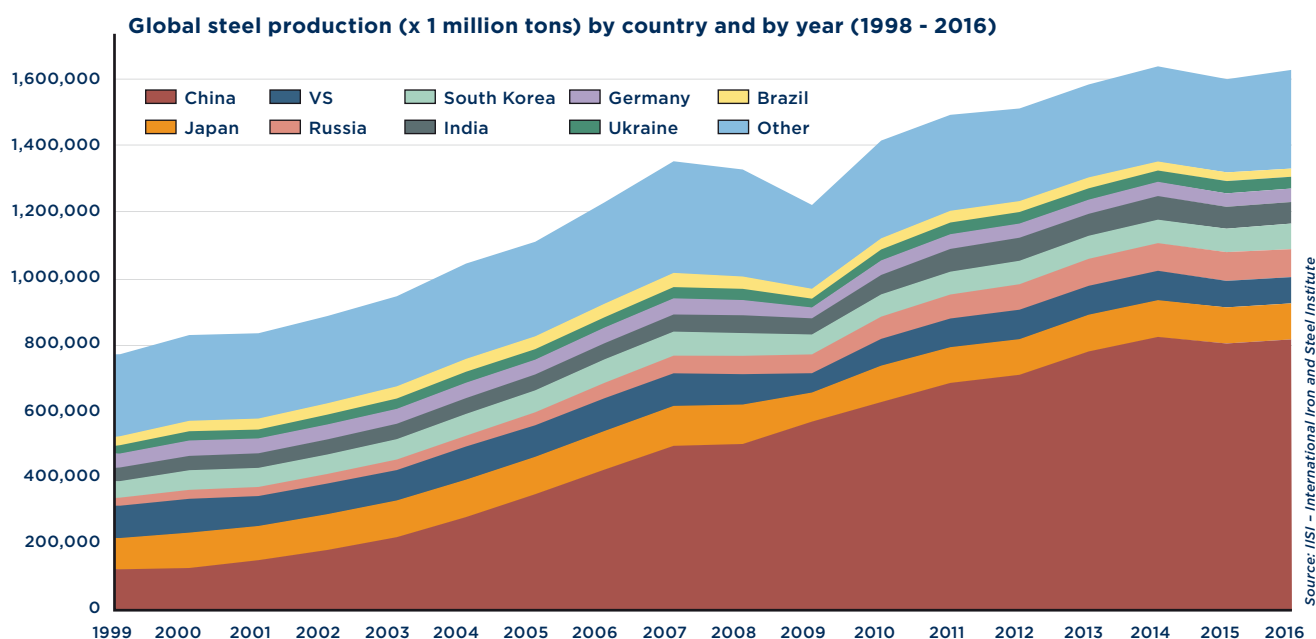
Once again, the reporting year was dominated by developments in China, where the government's plans to reduce industrial production were only partially successful. Exports nevertheless decreased by 7.7 per cent, the largest fall since 2009.

Metal production and consumption

According to the Worldsteel Association, global steel production increased by 0.8 per cent in 2016 to reach 1.6 billion tons. In Asia, production increased by 1.6 per cent to 1.1 billion tons, of which 0.8 billion tons was produced in China (representing growth of 1.2 per cent). This represents a slight increase in China's contribution to global steel production, from 49.4 to 49.6 per cent. European steel production fell by 2.3 per cent to 162.3 million tons in 2016. Over a quarter of this European steel (42.1 million tons) was produced in Germany (a decrease of 1.4 per cent compared to 2015). The Netherlands' metal production in 2016 totalled 6.92 million tons, a year-on-year decrease of 1.2 per cent. By contrast, Belgium's production of 7.69 million tons of steel represents a year-on-year increase of 5.9 per cent.

According to market researchers at Eurofer, Europe's consumption of steel increased by 2.9 per cent in 2016.

MEPS International (Independent Steel Industry Analysts) reported that global production of stainless steel achieved a new record level in 2016. Total output was 45.5 million tons, representing year-on-year growth of 9.5 per cent. As in previous years, the world's largest producer of stainless steel was China.

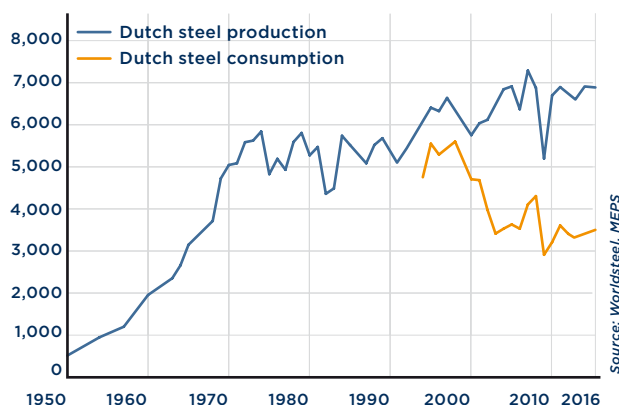


The official production figures issued by China were actually higher than expected, given that the Chinese government had previously announced the intention of closing several stainless steel production facilities. Equally noteworthy was the marked increase in stainless steel production in several other Asian countries, while growth in the West remained modest in 2016: 4 per cent in the United States and 2 per cent in the European Union.

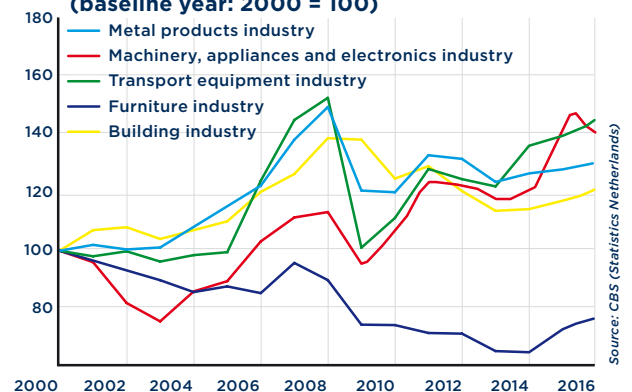
According to the International Aluminium Institute, global production of aluminium showed only marginal growth in 2016 (in contrast to the previous year), rising just a half per cent to 58.2 million tons.

This slowdown in growth is largely attributable to the world's largest aluminium producer, China (31.6 million tons), where production stabilized in 2016 compared to 2015 (-0.1 per cent). Elsewhere in Asia, aluminium production did increase, by 14.7 per cent to reach 3.4 million tons. As in 2015, European aluminium production increased slightly in 2016. The overall increase in Europe was 2.5 per cent. Growth in Central and Eastern Europe was greater (an increase of 4.0 per cent to 4.0 million tons) than in Western Europe (an increase of 0.9 per cent to 3.8 million tons).

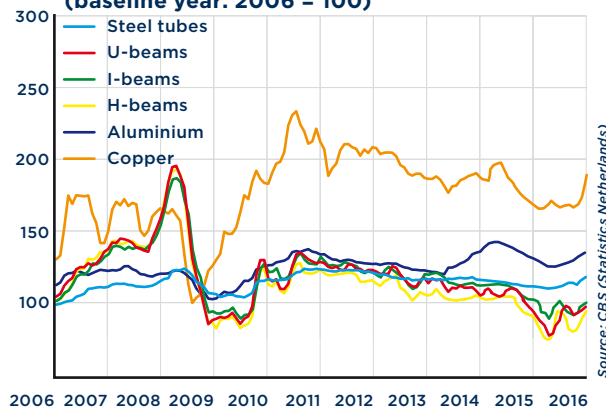
**Dutch steel production & consumption
(x 1,000 tons) per year, 1950-2016**



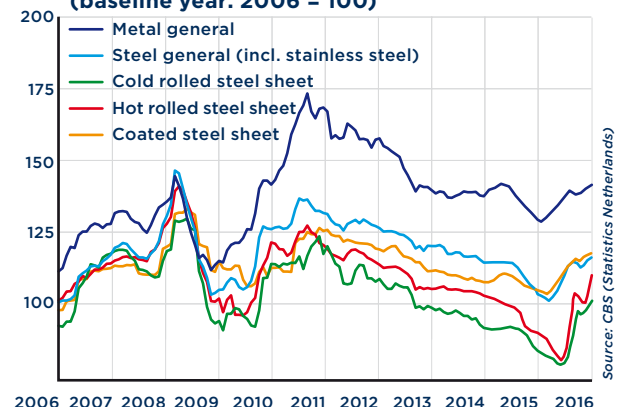
**Trends in sales in the Netherlands by sector
and by year 2000-2016
(baseline year: 2000 = 100)**



**Trends in purchase prices of long/non-ferrous
metals in the Netherlands, 2006-2016
(baseline year: 2006 = 100)**



**Trends in purchase prices of steel (sheets) in
the Netherlands, 2006-2016
(baseline year: 2006 = 100)**



Metal prices

In 2016, the extreme fall in global steel prices (-53 per cent between 2012 and 2015) came to a halt. According to ABN AMRO Bank, the final months of the year even saw a year-end rally with a minor upturn in metal prices. Because China was again unsuccessful in restricting its steel production in 2016, the EU and the USA decided to impose import duties during the second half of 2016.

Sources: ING, ABN AMRO, CPB, Meps.co.uk, Worldsteel.org, Worldstainless.org, CBS, Eurofer.

Positioning and market approach

MCB strives to provide clear added value to its customers and suppliers throughout the supply chain for standard metals and specials. In short, MCB wishes to add value and support its partners' progress.

It is for this reason that MCB played a coordinating and directing role in the chain from supplier to customer. Applying a proactive approach, MCB sought – and found – appropriate materials, quality grades, solutions and (logistics) services for a wide range of customers. Doing so once again cemented the company's position as a prominent and reliable player in the field of carbon steel, stainless steel, aluminium and non-ferrous materials in the form of sheets and long products.

Through its unique solutions and specialist expertise (and products) MCB once again helped to bolster the sustainable competitive strength of its customers in 2016. MCB was also able to offer very favourable delivery times and lead times for machining and processing jobs, and its supply reliability was nearly 100 per cent.

In short, MCB maintained its 'focus on the customer' throughout the reporting year, but without losing sight of its own competitive position. In the past year MCB was again successful in keeping the costs of its services competitive, not least due to automation, digitization and the efficient use of human resources and machines. The overall result is a further rise in our Net Promoter Score.

Activities

Proactive, expert and with a focus on total solutions. The operational activities of MCB were firmly based on these three core values in 2016. MCB regards them as the key to success, as these core values emphasize the quality and expertise of MCB and provide the organization with a firm foundation for the further development of (products made of) high-quality carbon steel, stainless steel, aluminium and high-end engineering metals.

MCB's central back office in Valkenswaard is ideally located in the heart of the 'Brainport' technology region of South East Brabant. In the Brainport region research institutes, suppliers and manufacturers work closely together to develop and manufacture high-quality products with high export potential. Moreover, Brainport, together with Amsterdam Airport Schiphol and the seaports of Rotterdam and Antwerp, is an important hub for the Netherlands and Europe.

From its centre of operations in Valkenswaard, MCB can offer a full logistics service to customers in the Netherlands, Belgium, large parts of Germany and northern France.

Financial developments

For MCB 2016 was a year of further recovery compared to previous years. Raw material prices remained at low levels in the early part of 2016, due in part to the overcapacity in the steel markets and international economic developments. But after the first quarter steel prices rose sharply. In the final quarter of 2016, these price increases spread to all other product groups.

MCB's net sales showed only a slight year-on-year increase: from 585.0 million euros in 2015 to 585.2 million euros in 2016. Sales volume increased by 6.7 per cent over the same period. The MCB Group closed the year 2016 with a pre-tax profit of 21.2 million euros. This result includes an amount of 1.4 million euros in respect of expenditure on restructuring operations. Thanks to the relatively low raw material prices and the further improvement in operating capital, MCB realized a positive net cash flow of 21.9 million euros in 2016. The solvency ratio also improved further, increasing from 46.1 per cent at the close of 2015 to 49.1 per cent at the close of 2016.

The fall in the balance sheet total continued in the reporting year: after it had declined to 269.9 million euros in 2015, it fell further to 259.7 million euros in 2016. This lower balance sheet total was due in part to the further optimization of the operating capital and fixed assets. MCB also pursued a balanced investment policy in 2016.

Risk management

For several years MCB has operated a system of risk management and internal control designed to mitigate the effects of any uncertainties as far as possible. Within the organization, responsibility for identifying and managing business risks is devolved to various management levels.

At MCB the business risks fall into three main categories: strategic risks, operational risks and financial risks. The main strategic risks with which MCB had to contend in 2016 were those caused by the continuing overcapacity among metal producers and wildly fluctuating raw material prices. MCB hedges part of the price risks of aluminium and stainless steel with financial instruments. Our purchasing and sales policy already takes account of fluctuations and provides for measures to hedge part of the risk. This also applies to the main financial risks, i.e. the interest rate and exchange rate risks, which are hedged by means of appropriately tailored financial instruments. Credit risks are controlled through strict compliance with the credit limit guidelines and with appropriate use of trade credit insurance.

Communication

MCB is keen to share knowledge and information. We do not regard transparency as a threat but as an opportunity to demonstrate the quality of the organization to the market. MCB's staff therefore play a crucial role in all communication efforts, both online and off. By means of internal workshops and other forms of support employees are actively encouraged to share their knowledge and experience. Prospective customers and employees seeking information are likely to turn to Google, which will refer them to the site which can provide the most complete answers to their questions. MCB made use of several other online communication resources in 2016, including the BrancheBarometer industry indices (reflecting the findings of monthly surveys of specific metal sectors), the Marktnieuws

newsletter (containing customized information on market developments and distributed via email, Twitter and Paper.li) and the Quick Scans (digital quarterly reports on developments among MCB customers in terms of orders, production and investment). In 2016, MCB launched its Web Portal, a platform which enables customers to place their orders and conduct all business with MCB online. In 2017, further digital communication and e-commerce options will be introduced, to include Electronic Data Interchange (EDI) and Vendor Managed Inventory (VMI) applications.

MCB recognises the importance of personal interaction and therefore continued to apply a number of offline communication resources throughout 2016. The company organized various events and made regular contributions to professional journals. The reporting year also saw the publication of the new MCB Book.

Events

In 2016 MCB again exhibited at the ESEF trade fair. However, our focus has shifted from such large-scale industry events to meetings organized by the company itself, such as knowledge-sharing meetings for customers. Research confirms that customers appreciate the more direct communication and personal attention that these meetings make possible.

Internal communication

Alongside its communication with customers, MCB devoted considerable attention to internal communication throughout 2016. A new group-wide Intranet was launched. It will ensure that staff within the MCB Group remain fully informed about developments and will therefore increase employee engagement.

Market research

Alongside the above-mentioned industry indices and Quick Scans, which are also used as communication tools, MCB undertakes various other forms of market research:

- **Referrals Meter:** at two-monthly intervals, a selection of our customers are asked one question: how likely is it that you would recommend MCB to others? Customers are asked not only to give a score but also to explain their score. The outcome is used by the Sales Department to improve individual customer satisfaction. The reporting year saw the introduction of the Referrals Meter 2.0, which allows input to be differentiated according to customer group and the stage of the purchasing process. This updated version is to be rolled out further in 2017.

- **Customer Panel:** twice a year, a selected group of eight to ten MCB Nederland customers 'with strong views' are invited to discuss current developments, topics and plans. A customer panel was also introduced for several sister companies in 2016.

In addition to these on-going forms of market research, MCB also regularly undertakes one-off research projects examining specific topics of relevance to our customers. In 2016, for example, we gauged opinions on the 'circular economy'.

Human Resources

MCB places the customer's interests to the fore at all times. To do so demands an appropriate culture and motivated, engaged staff. Our employees form the link between the company and our customers. To strengthen this link, a transition process was begun in 2016. Its purpose is to introduce even greater customer focus to the MCB corporate culture. Employees are trained to recognize inefficiencies within the chain and to offer appropriate solutions. MCB has also formulated its core values. In 2016 these core values were made an intrinsic part of the performance appraisal system. This initiative will be further developed in 2017. From 2016 the new core values also play an important role within MCB's recruitment policy.

The corporate culture therefore was a central theme in HR policy throughout 2016. In addition, MCB's HR Department focused on three key themes in 2016: the deployment of a well-qualified workforce, the enhancement of motivation and engagement, and professional development in the interests of long-term employability.

Consequently, particular attention was devoted to the following aspects in 2016:

Strategic human resources planning

The HR Department of MCB applies a system of strategic human resources planning in order to safeguard the continuity and quality of the organization. In other words, MCB is looking ahead. In 2016, the HR Department identified the changes that are likely to be seen within the company's workforce, going on to examine whether such developments are in line with the longer-term requirements of the organization. The results of this process have formed the basis of a number of development plans which will be used

as guiding principles to shape our future HR policy. A case in point is the analysis made in 2016 of potential future imbalances based on current staffing levels. Further to this analysis, MCB will create the conditions to unlock the full potential of the talent available within the organization. Any 'job mismatches' will be given additional guidance.

Long-term employability

The increase in the statutory retirement age means that staff must remain in employment for longer. At the same time, technological advances have changed the nature of work and what is expected of the employee. Older staff may have difficulty in adapting. Of course, people themselves also change as they age. These are all aspects which MCB must take into account in its human resources policy.

In 2016, MCB therefore formulated a clear vision with regard to long-term employability. The first step in implementing this vision was made with the development of an 'age-aware' human resources policy which specifically takes into account the dynamics of the different stages of life and the associated needs and possibilities of employees. Implementation of this age-aware human resources policy is the focus of 'Project IK', which has three main pillars: 'Safety', 'Health & Vitality' and 'Learning & Development'. 'Project IK' will encourage staff to take responsibility for their own future and their own long-term employability. MCB will provide various forms of assistance, including vitality programmes aimed at raising awareness of a healthy lifestyle, such as a 'Health Check' which includes a personal consultation with a lifestyle advisor. Beginning in 2017, long-term employability will form a core component of the performance appraisal system.

Professional development

In 2016 the HR Department continued to devote attention to the professional development, training and education of employees, the aim being to maximize the employability of people in both current and future positions. The process is one of gathering, consolidating and expanding knowledge. Various training programmes were organized during the reporting year. Further to the new sales strategy, for example, the entire Dutch Sales Department front office team completed the Sales Excellence programme.

To ensure compliance with safety regulations while also reducing the time required to induct new staff, a number of employees have been trained to become internal trainers and are now qualified to run a comprehensive induction programme for their new colleagues. In addition, a number of employees have been trained as 'lean greens' and 'black belts' with a view to improving the internal processes.

Engagement

The Board of Management of MCB is aware that the company's new ambitions make significant demands on all staff. To help staff deal with the change process, considerable attention was therefore devoted in 2016 to 'strategy deployment'. The aim was to translate the defined strategic principles into practical measures that can be readily adopted at all levels, whereupon the contribution that each member of staff makes to the overall strategy is clearly understood and will eventually become measurable. An employee survey was conducted in 2016 to gauge the current level of staff engagement. The results were positive compared to the benchmark: MCB staff score well on engagement (MCB: 85 per cent – benchmark: 83.2 per cent), customer focus (MCB: 7.7 – benchmark: 7.4) and loyalty. However, the results suggest that attention must be devoted to teamwork and cooperation. In 2017 particular attention will be devoted to the follow-up to this employee survey.

Corporate Social Responsibility (CSR)

MCB is aware of its role and function within society, and takes the responsibility which this entails fully into account in all aspects of its operations. In 2016, MCB again took major steps in the area of Corporate Social Responsibility, including measures to further improve safety, to reduce adverse environmental impact and to increase its positive contributions to people and society.

People

Safety in the workplace

Building on the safety awareness campaign launched in 2015, a number of activities were undertaken in 2016. Safety in the workplace was given ever greater prominence throughout the year. The Safety Steering Group adopted a

higher profile in 2016 and achieved good results in several areas. By actively focusing on culture and conduct, the Steering Group has done much to improve safety at MCB. In mid-2016, we implemented the SAFE registration system, an online database which enables all staff to report accidents and hazardous situations in a straightforward manner with a minimum of formalities.

Long-term employability

In 2016, MCB launched 'Project IK'. Further information can be found in the Human Resources section of this management report.

Planet

Throughout 2016, MCB continued its efforts to minimize adverse environmental impact. Investments were made in new lighting for the warehouses and production halls. In most cases, the choice fell on energy-efficient LED lighting. In addition, MCB leased a number of new DAF trucks fitted with Euro 6-compliant engines. These vehicles account for virtually zero emissions of nitrogen oxides and fine particulates, and they are also extremely energy-efficient.

Profit

'Profit' is an important component of Corporate Social Responsibility. The term does not refer exclusively to the bottom line of the balance sheet but entails attention for integrity in business, compliance with laws and regulations, and good governance. In 2016, MCB once again achieved very high performance in the area of good governance: MCB has an excellent governance structure from which the organization derives significant benefits when formulating, coordinating and implementing new strategies or plans.

Corporate social responsibility is also a key component of MCB's day-to-day contacts with suppliers and customers. In 2016, MCB expressed its strong disapproval of 'conflict minerals', which we actively refuse to handle. Our intention is to discourage and eventually halt the trade in materials from countries with oppressive or autocratic regimes. MCB also paid due attention to compliance with the REACH Regulation (covering the registration of hazardous substances in the chain) and the RoHS Directive (covering the registration and disposal of heavy metals), and made an active contribution to Life Cycle Assessment, which involves examining the degree to which MCB's materials can be recycled.



Group companies

MCB Nederland BV

MCB Nederland BV is based in Valkenswaard, the Netherlands. It has been a wholesale distributor of metals for 75 years, dealing in a wide and deep range of steel, stainless steel, aluminium and non-ferrous products. MCB Nederland also acts as the back office for the entire MCB Group, providing internal services in purchasing and procurement, storage, machining and logistics. It has a fully equipped Steel Service Centre and a Production Machining Centre at which various metal processing machines have been brought together under one roof. These operational departments enable MCB Nederland to help its partners achieve progress. By means of improvement, innovation, ambition and growth. MCB offers specific market and product knowledge at both national and international level. This engenders a sense of connection and confidence and enables MCB Nederland to get to the core of its partners' business.

MCB Specials BV

For over eighty years, MCB Specials (formerly Hamel Metaal) has demonstrated its professionalism and detailed knowledge of high-grade metals, alloys, synthetics and non-ferrous metals. Within the MCB Group, MCB Specials has become the 'one stop shop' for both standard products and specials: a unique combination.

MCB Specials has a broad customer base which includes companies in the machining, interior construction, installation, yacht and shipbuilding, and offshore industries, to which it supplies not only customized materials but also advice and information. Customers acknowledge MCB Specials' standing as a specialist and a proactive partner able to help them achieve growth and ongoing success.

MCB Direct BV

MCB Direct (formerly Staalmarkt Nederland) is a supplier of metals, mainly to the manufacturing industry. MCB Direct operates as a flexible, close-at-hand metals partner which sets out to simplify processes so that customers are able to focus on their core business. The company therefore offers just-in-time logistics, smart machining options and innovative services. MCB Direct also injects considerable knowledge, energy and creativity into all its partnerships. The company's customers are found in very varied segments of industry, business services and the public sector. Through close collaboration with other MCB Group companies, MCB Direct is able to provide the added value that customers increasingly expect and demand.

MCB Business & Information Services BV

MCB Business & Information Services in Valkenswaard is responsible for creating and maintaining an effective ICT infrastructure to serve all MCB Group companies. This group company is the central referral point for all matters relating to ICT policy. MCB Business & Information Services procures, develops and manages all systems and software, thus creating a stable and reliable operational environment.

MCB Belgique SA/MCB België NV

MCB Belgique S.A./MCB België NV in Awans ('MCB Belgium') is a wholesale supplier of steel, stainless steel and aluminium. MCB Belgium supplies these materials in the form of tubes, sheets, profiles, bars and strips, and sheet metal cut to size. The products can be supplied straight from stock.

MCB Belgium serves Belgium, Luxembourg and France. MétalSERVICE, based on the successful MCB Direct concept applied in the Netherlands, is a regional stockholding wholesale centre for metal products, synthetics and plastics and focuses on meeting the requirements of customers within a defined geographic region. Excellent service and personal attention are the key ingredients of this formula. MétalSERVICE currently operates from one facility, which is located in Awans.

MCB Deutschland GmbH

MCB Deutschland GmbH in Neuss, Germany, is a wholesaler of aluminium, non-ferrous metals, stainless steel and steel. MCB Deutschland offers a wide range of products which represent significant added value to the customer. In addition to the 'standard' products, a number of special products for specific customer applications are kept in stock and machined. The company profiles itself as a major supplier of all product groups, able to supply sheets, tubes, profiles and bars from stock. The company's activities are not confined to the immediate area of Neuss: it serves customers throughout Germany and in several other countries, who all benefit from a consistent one-stop shopping concept.

Testas NV

Testas, based in Wommelgem, Belgium, and its French sister company TS Métaux have been members of the MCB Group since 2008. Testas is a stockholding wholesale distributor of semi-manufactured aluminium, stainless steel, copper, brass and bronze products. The company has its own modern processing facilities. Testas strives to provide the most comprehensive and highest level of service achievable with respect to the distribution of these semi-manufactures. Continuity of supply and service, combined with a good price-quality ratio, are therefore a high priority.

SM StrukturMetall GmbH & Co. KG

SM StrukturMetall GmbH & Co. KG in Bretzfeld-Schwabbach, Germany, is a specialist wholesaler of various types of stainless steel sheets (embossed sheets, design sheets, mirror sheets and checker plates). The company's products are used in construction (interior and exterior cladding), lift building, mechanical engineering and the production of retail checkouts. The company has its own rolling facility to produce part of the embossed steel plate range in-house. In addition, StrukturMetall carries a specialist range of stainless steel handrail systems, which are widely used in lift cabins, for example. The company exports a substantial portion of its products to foreign markets, particularly in Asia.



Prospects for 2017

The analysts of both ABN AMRO and Rabobank forecast further economic growth in 2017. However, growth is likely to be slower than in 2016 and will show some regional variation. In the Netherlands, economic growth is projected to be 1.8 per cent, while in Europe as a whole it will be 1.4 per cent. The world economy is expected to show growth of 3.4 per cent. The analysts of the World Bank are somewhat less optimistic, suggesting that the global economy will expand by only 2.7 per cent in 2017.

Forecasts have also been made in respect of the sales markets in which MCB operates. According to researchers at ING, the metals industry will show growth of 1.5 per cent in 2017. The members of the Metaalunie federation also take a positive view of 2017: the order book outlook is promising and they forecast rising profit levels. The ING analysts believe that the wholesale market for metals and ores, the sector in which MCB is most active, will show growth of 0.5 per cent in 2017. They forecast growth of 3 per cent in the construction sector in 2017, driven by the recent marked upturn in the housing market.

Steel

Analysts at ABN AMRO expect prices on the ferrous metals markets to present a mixed picture in 2017. They believe that prices of iron ore and coking coal will show a downwards trend due to high supply levels. The same analysts predict that the price of steel will increase slightly in 2017, mainly in response to the relatively high demand. Researchers at steel consultancy MEPS also expect steel prices to rise during the earlier part of 2017, but they stress that subsequent price movements will depend on developments within the market. China will remain an important, if not the most important, factor influencing the steel market in 2017. According to HSBC Research, steel consumption in China will increase by 1.5 per cent in 2017 despite restrictions on production.

Stainless steel

Industry analysts expect demand for stainless steel to rise from 37.4 million tons to 43.2 million tons by 2020, an increase of 15 per cent. According to ABN AMRO analysts this upward trend will become apparent in 2017. The same source suggests that the market for nickel, an important alloy in stainless steel, will come under pressure in 2017 due to export restrictions imposed by countries such as Indonesia.



Aluminium

ABN AMRO expects demand for aluminium to be high in 2017. However, any further price increases are likely to be minor given that supply will also continue to be high. Analysts at IKB Deutsche Industriebank forecast strong growth in demand for aluminium, still driven mainly by the ever-evolving markets. However, they also warn that the trade in aluminium could be undermined by events in political hotspots in various parts of the world. European Aluminium forecasts that consumption of aluminium in Europe will rise by 2 per cent in 2017. Despite the current overcapacity in China, production there is expected to show a further 1.3 per cent rise in 2017.

MCB Group

In 2016, the MCB Group energetically set about implementing the strategic plan presented in 2015. Significant progress has now been made, with the positive effects becoming apparent within MCB immediately. Implementation will therefore be continued in 2017. The implementation of innovative e-commerce concepts forms an important component of the plan, as does the construction of a new high-rise warehouse for long products.

The strategic plan establishes a firm basis from which to further improve our service level with a view to increasing our market share. The emphasis will be on the implementation of service concepts, the development of new products, further specialization on the part of MCB Specials, and the refinement of the sales and distribution strategy successfully adopted by MCB Direct.

We will continue to pursue improvements and further optimization in 2017. The MCB Group will develop to become an organization where safety and ongoing improvement are high on the agenda. We have formulated concrete objectives for the years ahead, one aim being to minimize costs throughout the chain. This will help to further optimize the reliability of supply and the quality and efficiency of the service provision of all group companies. We believe that the strategy we have adopted will enable MCB to perfect its role within the supply chain and to achieve profitable growth.

Each MCB Group company has its own clear objectives, the attainment of which will help the group as a whole to reaffirm its position as a partner offering clear added value to all parties, customers and suppliers alike, within the metals and specials supply chain.

Sales and profit projections

We expect demand for metals to increase (slightly) further in 2017. This forecast is based in part on the many conversations we have had with customers about their order portfolios and on the general outlook of the industries in which we operate.

We expect the MCB Group to deliver a positive earnings performance in 2017 and to achieve further profit growth compared to 2016. In view of the major cost reductions achieved in recent years and the implementation of a balance sheet reduction programme, we believe that MCB will be able to ensure that the positive operational performance achieved in 2016 will be further consolidated in 2017. Moreover, we have an excellent delivery performance record and enjoy a high level of customer satisfaction. Several specific service concepts were recently developed which mesh perfectly with the needs of our customers. These will be rolled out further in 2017.

We are aware of and will remain mindful of the economic reality in which we find ourselves. We will therefore continue to invest in the further optimization of our processes and business operations with a view to remaining adaptable, creative and innovative.

The volatility of raw material prices continues to call for measures which will enable us to remain competitive and to limit risks. This has been an important point for attention in recent years, and will remain so in 2017.

Capital expenditure

MCB invests in its staff, customers, products and business setting. The market demands a high level of service and new concepts to increase efficiency at all levels of the chain. MCB adapts to market demand and will invest accordingly. In 2017, several group companies will launch their new web portals. We will also continue to invest in the digitization of the information exchange with customers and suppliers. The new high-rise warehouse and associated machining facilities will become fully operational in 2017.

Other planned investments in 2017 include the purchase of new machines and the overhaul of some existing machines. As always, the aim is to ensure optimum customer service.

Word of thanks

The results achieved in 2016 have helped to further improve the financial performance of the MCB Group. We were successful in translating the general market recovery into a stronger financial position, which forms the basis of long-term continuity. We intend to build further on this sound financial basis in 2017. We will also do our utmost to give further shape to our contribution towards strengthening the sustainable competitive strength of the manufacturing industry.

We wish to thank all customers, suppliers and other business partners for placing their confidence in MCB throughout the reporting year. The Board of Management is particularly keen to express its sincere appreciation for the unwavering commitment and loyalty shown by all employees of the MCB Group.

Board of Management

B. Schildkamp (Chairman)

E.J.G. van Boxtel

Valkenswaard, 24 May 2017

Financial statements

Consolidated balance sheet before appropriation of net income

Assets	31-12-2016	31-12-2015
<i>Amounts in thousands of euros</i>		
Fixed assets		
Intangible fixed assets ¹	6,063	8,272
Tangible fixed assets ²		
land and buildings	51,584	60,532
machinery and equipment	3,149	3,318
other fixed operating assets	2,461	3,735
unproductive assets	6,783	3,512
tangible fixed assets under construction	6,425	744
	70,402	71,841
Financial fixed assets ³		
other receivables	2,027	3,031
Current assets		
Inventories	98,684	100,474
Receivables		
trade receivables	72,857	65,616
other receivables	6,329	9,161
prepayments and accrued income	1,169	957
	80,355	75,734
Cash and cash equivalents	2,172	10,588
	259,703	269,940

- ¹ See note 1 on page 33
² See note 2 on page 33
³ See note 3 on page 34


Liabilities

Amounts in thousands of euros

	31-12-2016	31-12-2015
Group equity ⁴		
equity	127,385	124,487
Provisions ⁵		
post-employment benefits	157	204
deferred tax liabilities	9,474	9,069
restructuring provision	306	382
other provisions	3,095	1,796
	13,032	11,451
Current liabilities ⁶		
banks	38,628	68,914
current portion of non-current liabilities	-	1,516
trade creditors	45,644	31,587
taxes and social security contributions	20,604	20,313
other liabilities	14,043	7,801
accruals and deferred income	367	3,871
	119,286	134,002
	259,703	269,940

⁴ See note 4 on page 34
⁵ See note 5 on page 34
⁶ See note 6 on page 35

Consolidated income statement

	31-12-2016	31-12-2015
<i>Amounts in thousands of euros</i>		
Net sales 	585,157	585,045
Cost of sales	<u>521,695</u>	<u>545,280</u>
Gross profit/loss	63,462	39,765
selling expenses	17,842	16,038
general administrative expenses	<u>21,645</u>	<u>21,394</u>
total expenses	<u>39,487</u>	<u>37,432</u>
Net profit/loss	23,975	2,333
interest income	9	58
interest expense	<u>-2,797</u>	<u>-4,574</u>
	<u>-2,788</u>	<u>-4,516</u>
Profit/loss on ordinary activities before tax	21,187	-2,183
taxes	<u>-6,249</u>	<u>-642</u>
Net income after tax	14,938	-2,825

'Cost of sales', 'selling expenses' and 'general administrative expenses' include an amortization charge of € 4,923 (2015: € 4,749) for intangible fixed assets and a depreciation charge of € 4,609 (2015: € 5,769) for tangible fixed assets, totalling € 9,532 (2015: € 10,518).

 See note 7 on page 36

Consolidated cash flow statement

	31-12-2016	31-12-2015
<i>Amounts in thousands of euros</i>		
<i>Cash flows from operating activities</i>		
net profit/loss	23,975	2,333
depreciation/amortization and other changes in value	9,532	10,518
change in provisions	1,580	-6,357
other changes	-50	116
change in inventories	1,790	6,491
change in receivables	-3,617	8,666
change in current liabilities ¹⁾	17,087	12,347
change in net operating capital	15,260	27,504
interest received	9	58
tax on profits	-6,249	-642
Cash flows from operating activities	44,057	33,530
<i>Cash flows from investing activities</i>		
capital expenditure on tangible and intangible fixed assets	-10,539	-3,107
disposals of tangible fixed assets	4,654	12,891
Cash flows from investing activities	-5,885	9,784
<i>Kasstroom uit financieringsactiviteiten</i>		
repayment of non-current liabilities	-1,516	-9,609
(interim) dividends paid	-11,990	-6,375
interest paid	-2,797	-4,574
Cash flows from financing activities	-16,303	-20,559
<i>Net change in cash and cash equivalents as per the cash flow statement</i>	21,869	22,755
cash and cash equivalents at year end ²⁾	-36,457	-58,326
cash and cash equivalents at year start	-58,326	-81,081
<i>Net change in cash and cash equivalents as per opening and closing balance sheets</i>	21,869	22,755

¹⁾ Current liabilities comprise the current liabilities shown in the balance sheet less liabilities to banks, the current portion of non-current liabilities and dividends payable.

²⁾ The difference between cash and cash equivalents of € 2,172 (2015: € 10,588) and current liabilities to banks of € 38,628 (2015: € 68,914).

Significant accounting policies

General information

Activities

MCB International BV operates as a wholesale metal distributor and service centre.

Corporate seat and Business Register number

MCB International BV has its corporate seat and business address in Valkenswaard and is registered in the Business Register under number 17011393.

Group structure

MCB International BV heads a group of legal entities. The table on this page lists the details that must be disclosed under Sections 379 and 414 in Book 2 of the Dutch Civil Code.

MCB International BV holds the following interests in group companies:

	town	country	interest held
<i>MCB Nederland BV</i>	<i>Valkenswaard</i>	<i>Netherlands</i>	<i>100%</i>
<i>MCB Belgique SA</i>	<i>Awans</i>	<i>Belgium</i>	<i>100%</i>
<i>MétalSERVICE SA</i>	<i>Awans</i>	<i>Belgium</i>	<i>100%</i>
<i>Agimob NV</i>	<i>Wommelgem</i>	<i>Belgium</i>	<i>100%</i>
<i>Testas NV</i>	<i>Wommelgem</i>	<i>Belgium</i>	<i>100%</i>
<i>TS Team NV</i>	<i>Wommelgem</i>	<i>Belgium</i>	<i>100%</i>
<i>TS Métaux SAS</i>	<i>Roncq</i>	<i>France</i>	<i>100%</i>
<i>MCB Deutsche Holding GmbH</i>	<i>Neuss</i>	<i>Germany</i>	<i>100%</i>
<i>MCB Deutschland GmbH</i>	<i>Neuss</i>	<i>Germany</i>	<i>100%</i>
<i>MCB Grundstücksverwaltungs GmbH</i>	<i>Neuss</i>	<i>Germany</i>	<i>100%</i>
<i>SM Strukturmetall GmbH & Co. KG</i>	<i>Bretzfeld</i>	<i>Germany</i>	<i>100%</i>
<i>SM Strukturmetall Verwaltung GmbH</i>	<i>Bretzfeld</i>	<i>Germany</i>	<i>100%</i>
<i>MCB Specials BV</i>	<i>Almere</i>	<i>Netherlands</i>	<i>100%</i>
<i>MCB Direct BV</i>	<i>Valkenswaard</i>	<i>Netherlands</i>	<i>100%</i>
<i>MCB Business & Information Services BV</i>	<i>Valkenswaard</i>	<i>Netherlands</i>	<i>100%</i>
<i>MCB Central Europe BV</i>	<i>Valkenswaard</i>	<i>Netherlands</i>	<i>100%</i>
<i>Metal2 BV</i>	<i>Valkenswaard</i>	<i>Netherlands</i>	<i>100%</i>

Change in accounting policy

A change in accounting policy was adopted with effect from 1 January 2016 in relation to the treatment of tangible fixed assets. Land and buildings are now measured at purchase or production cost rather than current value. The change was accounted for as per the transitional provision set out in RJ-uiting (technical release of the Dutch Accounting Standards Board) 2017-2: Current cost. This means that the carrying amount at 31 December 2015 has been taken as the basis and is assumed to be the historical cost. This change in accounting policy is not material and has no impact on the comparative figures.

Consolidation

MCB International BV's consolidated financial statements incorporate the financial statements of the group companies. Group companies are those companies belonging to MCB International BV's economic entity whose operating and financial policies are controlled by MCB International BV.

The section 'Group structure' provides an overview of all group companies of MCB International BV. All group companies are fully controlled by MCB International BV. The consolidated financial statements are prepared in accordance with the accounting policies of MCB International BV.

As MCB International BV's financial information is included in the consolidated financial statements, the company's individual financial statements comprise a condensed income statement as permitted by Section 402 in Book 2 of the Dutch Civil Code.

The accounts of the group companies and the other legal entities and companies included in the consolidation are fully incorporated in the consolidated financial statements. All intragroup balances and transactions are eliminated.

The results of newly acquired group companies and other legal entities and companies included in the consolidation are consolidated with effect from the date of acquisition. The assets, provisions and debts are stated at fair value as at that date. Goodwill arising on acquisition (purchased goodwill) is capitalized and amortized over its useful economic life. The results of divested companies are consolidated until the effective date of divestiture.

Related parties

Related parties are those legal entities over which the company has control, joint control or significant influence. Legal entities that can exercise dominant influence, as well as the members of the Board of Management, other key management personnel of MCB International BV and close relatives are also treated as related parties.

Significant transactions with related parties are disclosed in the notes to the extent that they are not conducted at arm's length. The notes disclose the nature and extent of those transactions, as well as any other information necessary for a proper understanding.

Notes to the cash flow statement

The cash flow statement is prepared according to the indirect method. The cash and cash equivalents included in the cash flow statement are stated net of current liabilities to banks. Tax on profits, interest received and dividends received are included in the cash flows from operating activities. Interest paid and dividends paid are included in the cash flows from financing activities. The capital expenditure on tangible fixed assets includes only those investments for which cash and cash equivalents were used in 2016 (no finance leases).

Estimates

The preparation of financial statements in conformity with the relevant rules and accounting policies may require the Board of Management to make certain estimates that may affect the amounts reported in the financial statements. If necessary for the purposes of providing the view required under Section 362(1) in Book 2 of the Dutch Civil Code, the nature of those judgements and estimates, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Significant accounting policies

Recognition and measurement of assets, equity and liabilities

General

The consolidated financial statements have been prepared in accordance with the provisions of Title 9 of Book 2 of the Dutch Civil Code (Dutch GAAP) and the authoritative statements included in the Dutch Guidelines for Annual Reporting published by the Dutch Accounting Standards Board. The financial statements are denominated in euros (the functional currency). The valuation of assets and liabilities and the determination of profit or loss are based on historical cost. Unless the balance sheet heading in question states otherwise, assets and liabilities are measured at historical or amortized cost.

Prior-year comparison

The only change in accounting policy during the year is that set out under 'Significant accounting policies'. All other policies have been applied on bases consistent with those used in the previous year.

Foreign currency

Receivables, debts and liabilities denominated in foreign currencies are translated into euros at the rates of exchange ruling at the balance sheet date. Transactions effected during the period under review and denominated in foreign currencies are translated at the rates of exchange ruling at the time of the transaction. The exchange differences resulting from the translation at the balance sheet date are taken to the income statement. The foreign group companies and non-consolidated investments are considered to be independent foreign entities. Translation gains and losses are taken directly to equity through the statutory currency translation reserve.

Intangible fixed assets

Intangible fixed assets are carried at historical cost less accumulated amortization and any impairment losses. The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired.

The annual amortization charge is a fixed percentage of the historical cost, as specified in the notes to the balance sheet. The useful economic life and amortization method are reviewed at the end of each financial year.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs are capitalized as production costs if the project is likely to be commercially and technically feasible and the costs can be measured reliably. Amortization of capitalized development costs begins when commercial production has started and is calculated over the expected useful life of the asset.

Software

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalized. Such internally produced intangible fixed assets are capitalized if they are likely to produce future economic benefits and the costs can be measured reliably. Costs associated with maintenance of software programs and expenditure on research are recognized in the income statement. Software licences acquired are capitalized at acquisition cost and amortized over the estimated economic life.

Goodwill

Goodwill is capitalized under intangible fixed assets if the cost of acquisition at the time of contribution is higher than the net fair value of the assets and liabilities acquired. Goodwill is amortized on a straight-line basis over its estimated useful life. If the cost of acquisition is less than the net fair value of the identifiable assets and liabilities, the difference (negative goodwill) is recognized as a deferred liability.

Tangible fixed assets

Tangible fixed assets are carried at historical cost plus additional expenses or production cost, less straight-line depreciation over their estimated remaining useful lives. Land is not depreciated. Where applicable, account is taken of permanent impairment.

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its net selling price and its value in use.

Financial fixed assets

Investments in group companies are carried at underlying net asset value, calculated in accordance with the accounting policies applied by the company. Receivables from group companies are stated at amortized cost less any impairment. Goodwill arising on acquisition is capitalized and amortized through the income statement.

Financial fixed assets include those deferred tax assets that are likely to be realized in due course. Those deferred tax assets are stated at present value, calculated on the basis of the net interest rate for long-term loans. The net interest rate used for discounting ranges from 3.63% to 4.63%. The deferred tax assets are predominantly long-term in nature.

Inventories

Inventories are recognized at the lower of historical cost on the basis of weighted average prices, or the market value at balance sheet date. Any lower market value is determined on the basis of an individual assessment of inventories. The valuation allows for the risk of obsolescence. At 31 December 2016, the write-offs for obsolescence and the write-downs to a lower market value represented 1.7% (2015: 5.5%) of the nominal amount of inventories.

Receivables

Receivables are initially measured at the fair value of the consideration given. After initial recognition, trade receivables are measured at amortized cost less any provisions deemed necessary to cover the risk of irrecoverable debts. These provisions are determined on the basis of an individual assessment of receivables. At 31 December 2016, the provision for doubtful debts amounted to 1.1% (2015: 1.4%) of the nominal accounts receivable balance. All receivables fall due within one year.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks and call deposits with maturities of less than twelve months. Current account balances owed to banks are shown under current liabilities. Cash and cash equivalents are stated at nominal value.

Provisions

Provisions are recognized when the company has present legal or constructive obligations at the balance sheet date, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligations at the balance sheet date. Provisions are stated at the nominal value of the expenditures expected to be required to settle the obligation, except as otherwise stated. When the amount required to settle a provision may be reimbursed by another party and when it is virtually certain that the company will receive the reimbursement on settlement of the obligation, the reimbursement is recognized as a separate asset in the balance sheet.

Significant accounting policies

The provision for deferred tax liabilities has been set up to cover taxes which will become due and payable at a future date in respect of timing differences between the valuation of assets and liabilities as shown in the financial statements and their valuation for tax purposes. The provision is stated at present value, calculated on the basis of the net interest rate for long-term loans. The net interest rate used for discounting ranges from 3.63% to 4.63%.

The provision for post-employment benefits is stated in accordance with the Guideline for Annual Reporting RJ 271 (Employee Benefits). MCB International BV has several pension plans. The Dutch pension plan is funded by contributions paid to the insurance company. The foreign pension plans are structured and operated in ways that are comparable to the workings of the Dutch pension system. The retirement benefit obligations under both the Dutch and the foreign plans are measured on the basis of the 'obligations to the pension plan administrator' approach, which means that the contributions payable to the pension plan administrator are recorded as an expense in the income statement. A provision is made for any obligations to the pension plan administrator.

The provision for restructuring costs covers costs relating directly to initiated reorganizations. A provision for restructuring costs is recognized when a detailed formal plan for the restructuring has been developed and communicated to those concerned or affected.

The other provisions relate to long-service benefits and warranty provisions. Actuarial calculations of long-service benefits are made each year by an external actuary on the basis of the projected unit credit method. Actuarial gains and losses are recognized in the income statement each year. The warranty provisions are stated at amortized cost.

Liabilities

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of the financial liabilities are added to the fair value on initial recognition. After initial recognition, financial liabilities are measured at amortized cost, being the amount received including any premium or discount and after deduction of transaction costs.

Leases

The company may have leases that do not substantially transfer all the risks and rewards incidental to ownership to the company. These leases are recognized as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease, net of any incentives received from the lessor.

Financial instruments

The securities included under financial fixed assets and current assets are carried at fair value. All other financial instruments recognized in the balance sheet are stated at (amortized) cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the fair value cannot be readily and reliably determined, the fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by using valuation models and valuation techniques. This involves using similar recent arm's length market transactions, discounted cash flow (DCF) analysis and/or option pricing models, making allowance for entity-specific inputs. The fair value is equal to the carrying amount.

The valuation of derivative financial instruments (derivatives) depends on whether the underlying asset of the derivative is a listed security or not. All derivatives held by MCB International BV are stated at cost. Changes in value of derivatives are accounted for differently, depending on whether the derivative is used for hedge accounting or not.

In applying cost hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item.

Accordingly:

- if the hedged item is recognized in the balance sheet at cost, the derivative is also stated at cost;
- as long as the hedged item in the cost hedge relationship is not yet recognized in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative, where it has currency elements, is also stated at the spot rate at the balance sheet date.

If the derivative has currency elements, the difference between the spot rate on the date the derivative is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative. The ineffective portion of the hedge is taken directly to the income statement.

MCB International BV applies hedge accounting. At the inception of a hedge transaction, the company formally documents the hedge relationship. The company tests the effectiveness of the hedge relationship at regular intervals by comparing the critical terms of the hedging instrument with those of the hedged item.

MCB International BV applies cost hedge accounting:

- to interest rate swaps that convert certain variable interest debts into fixed-rate loans;
- to forward exchange contracts to hedge future purchases in US dollars;
- to metal hedges to hedge against potential price risks.

The ineffective portion of the changes in fair value (if any) is recognized in the income statement as financial income and expense. The carrying amount of all primary financial instruments at balance sheet date is a reasonable approximation of fair value.

Recognition and measurement of income and expenses

General

Income and expenses are attributed to the year to which they relate. Profits are recognized only if they are realized at balance sheet date. Losses and risks originating before the end of the financial year are taken into account if they are known before the financial statements are prepared.

Net sales

Net sales represent the proceeds generated by goods delivered to customers during the financial year, less discounts and sales tax. Proceeds from the sale of goods are recognized when all significant risks and rewards of ownership have passed to the buyer. The cost of acquisition of those goods is allocated to the same period.

Cost of sales

Cost of sales represents the direct and indirect costs attributable to sales, including the costs of raw materials and consumables used, the costs of subcontracted work and other external costs, staff costs, depreciation/amortization charges and other operating costs to the extent that these are directly attributable to the cost of sales. The cost of sales is determined on a historical cost basis (weighted average purchase prices).

Selling expenses and general administrative expenses

Selling expenses and general administrative expenses are those expenses incurred during the year that are not directly attributable to the cost of goods supplied.

Amortization of intangible fixed assets and depreciation of tangible fixed assets

Intangible fixed assets, including goodwill, are amortized and tangible fixed assets are depreciated over their expected useful lives from the date they are put into use. Land is not depreciated. Any change in the expected useful life of an asset will be reflected in the future amortization or depreciation charges. Book profits and losses from one-time sales of tangible fixed assets are included in depreciation.

Significant accounting policies

Employee benefits

Wages, salaries and social security contributions under the terms and conditions of employment are recognized in the income statement to the extent that they are owed to employees.

Financial income and expense

Interest income and interest expense are recognized on an accrual basis, taking into account the effective interest rate of the assets and liabilities concerned. When recognizing interest expense, allowance is made for transaction costs on loans received. The ineffective portion of the changes in fair value of financial instruments (where applicable) is recognized in the income statement as financial income and expense.

Taxes

Taxes on profit are based on the tax rate applicable for the financial year, account being taken of timing and permanent differences between the profit shown in the financial statements and the profit calculated for tax purposes.

Financial risk management

Price risk

Foreign exchange risk

MCB International BV operates primarily in the European Union. The foreign exchange risk to which MCB International BV is exposed relates mainly to positions and future transactions in US dollars. On the basis of a risk analysis, the Board of Management of MCB International BV has decided to hedge a portion of this foreign exchange risk exposure by means of forward exchange contracts which are primarily used to hedge outstanding purchase commitments denominated in US dollars.

Interest rate and cash flow risk

MCB International BV is exposed to interest rate fluctuations on interest-bearing receivables and interest-bearing current and non-current liabilities (including liabilities to banks). As regards receivables and liabilities bearing variable interest rates, MCB International BV is exposed to variability in future cash flows, and as regards fixed-rate receivables and liabilities it is exposed to fair value fluctuations as a result of changes in the market interest rate.

The company's exposure to the interest rate risk on receivables is not hedged by financial derivative instruments. To hedge certain fixed-rate liabilities, MCB International BV has entered into interest rate swaps as a result of which the company pays a fixed rate and receives a variable rate.

Metal prices

In a situation where metal prices fluctuate strongly, MCB International BV is exposed to price risks. As part of the company's purchasing strategy these risks are carefully assessed and actual purchases are made on the basis of this assessment. It is MCB International BV's policy to hedge 40% of the price risk of aluminium and nickel.

Credit risk

MCB International BV has no significant concentrations of credit risk. Sales are made to customers that meet MCB International BV's creditworthiness criteria. The credit periods given to customers range from 8 to 60 days, although longer credit periods can be granted in case of larger orders, in which case additional security is requested, for example in the form of suretyships or guarantees.

Cash and cash equivalents are held with A or better rated banks.

Liquidity risk

MCB International BV maintains credit lines with several banks. Where necessary, additional security is provided to the bank for the available credit facilities.

Notes to the consolidated balance sheet and income statement

Intangible fixed assets

1

Amounts in thousands of euros

Summary of changes during the year:				
	goodwill	software	research & development	total
carrying amount at 1 January 2016	2,144	4,973	1,155	8,272
reclassification	-	1,652	-944	708
capital expenditure	-	1,364	643	2,007
disposals (at carrying amount)	-	-1	-	-1
amortization	-185	-4,738	-	-4,923
Carrying amount at 31 December 2016	1,959	3,250	854	6,063
amortization to 31 December 2016	1,952	30,479	-	32,431
amortization rate	5	20	-	

In connection with expected economic benefits over a period of more than 5 years, a longer amortization period is used for capitalized goodwill.

The research and development costs relate to the development of software applications for internal use.

Tangible fixed assets

2

Amounts in thousands of euros

Summary of changes during the year:						
	land and buildings	machinery and equipment	other fixed operating assets	un-productive assets	tangible fixed assets under construction	total
carrying amount at 1 January 2016	60,532	3,318	3,735	3,512	744	71,841
reclassification	-3,416	-	-754	3,416	46	-708
capital expenditure	1,032	903	920	41	5,635	8,531
disposals (at carrying amount)	-4,334	-56	-263	-	-	-4,653
depreciation	-2,230	-1,016	-1,177	-186	-	-4,609
Carrying amount at 31 December 2016	51,584	3,149	2,461	6,783	6,425	70,402
depreciation to 31 December 2016	40,033	25,059	35,798	5,238	-	106,128
depreciation rates	0-4	10-20	20-33.3	0-4	-	

The commercial properties leased out, consisting of buildings with grounds, are to be regarded as investment properties that are held to earn rent and capital gains and are therefore 'unproductive assets' (i.e. not used in the operations of MCB International BV). The lease for the commercial property in Valkenswaard runs until 31 December 2019. The commercial property in Almere has been leased out under a lease running until 30 September 2017. The intention is to sell this property after the expiry of the lease.

The property investments are valued at historical cost less annual straight-line depreciation over the estimated useful life of the buildings. The rental income (including service charges) earned in 2016 was € 1,058.

Notes to the consolidated balance sheet and income statement

Financial fixed assets

3

Amounts in thousands of euros

Deferred tax assets at 31 December 2016 totalled € 2,606 (2015: € 3,403). An amount of € 2,027 (2015: € 3,031) of this total amount is included under financial fixed assets. The change relates to losses carried forward by one of the group companies. An amount of € 579 (2015: € 372) is recognized under short-term receivables.

Group equity

4

Legal entity's share of group equity

Please refer to the note on equity in the company financial statements for information on the legal entity's share of group equity.

Provisions

5

Amounts in thousands of euros

Summary of changes during the year:

	post-employment benefits	deferred tax liabilities	re-structuring provision	other provisions	total
balance at 1 January 2016	204	9,069	382	1,796	11,451
additions	-	1,544	153	88	1,785
withdrawals	-47	-1,140	-229	-30	-1,446
reclassification	-	1	-	1,241	1,242
Balance at 31 December 2016	157	9,474	306	3,095	13,032

Expected timing of outflow of provisions

Amounts in thousands of euros

The expected timing of outflow of provisions is as follows:

	post-employment benefits	deferred tax liabilities	re-structuring provision	other provisions	total
settlement within 1 year	34	6,976	306	172	7,488
settlement between 1 to 5 years	106	-84	-	1,970	1,992
settlement after more than 5 years	17	2,582	-	953	3,552
Balance at 31 December 2016	157	9,474	306	3,095	13,032

The other provisions at 31 December 2016 relate to long-service benefits, warranty obligations and obligations on account of claims, disputes and legal proceedings.

Current liabilities

6

Amounts in thousands of euros

The outstanding loans from banks were repaid in full in 2016 in accordance with the current financing agreements. The amount of € 20,604 (2015: € 20,313) recognized as taxes and social security contributions consists primarily of VAT payable (€ 15,898), wage tax and national insurance contributions payable (€ 2,071) and corporation tax payable (€ 2,120). The corresponding figures for 2015 were € 17,579, € 1,688 and € 437 respectively. All current liabilities fall due within one year.

Assets and liabilities not included in the balance sheet

Amounts in thousands of euros

In order to achieve the best possible financial structure and profitability, a new group structure (MCB Group) was created in 2003 with retroactive effect to 1 January 2003. As part of this restructuring, MCB Nederland BV acquired 58% of the (ordinary) shares of MCB International BV. In consideration of this purchase of MCB International BV shares, MCB Nederland BV contributed its business to a 'silent' (undisclosed) partnership. This change to the group's structure was made for a limited period, but no end date was defined. The shareholders mutually agreed that the group structure would be restored to its pre-restructuring state after the termination of the silent partnership. This agreement about termination means that MCB Nederland BV has a future claim to receive the capital account balances of the other partners of the silent partnership in return for the transfer back of the shares of MCB International BV. The future termination of the silent partnership may entail costs and charges, but whether this will in fact be the case and, if so, what the nature and scope thereof will be is not known at this time. MCB International BV has issued a declaration of liability under Section 403 in Book 2 of the Dutch Civil Code in respect of MCB Direct BV, MCB Specials BV and Metal2 BV.

The MCB Group has entered into a lease for immovable property not used for its operations. The annual rental income receivable from third parties is € 1,058. The remaining terms of the underlying leases range from 9 months to 3 years.

The annual rent payable to third parties for the lease of immovable property amounts to € 1,715. The remaining terms of the underlying leases range from 15 months to 7 years. Lease commitments to third parties expiring between 2018 and 2021 total € 4,556. Lease commitments expiring after 2021 total € 934.

Commitments entered into with third parties for software support & maintenance represent an annual amount of € 909.

The MCB Group has entered into commitments for the purchase/maintenance of warehouse fixtures and fittings and building maintenance for a total amount of € 238.

Operating lease liabilities amounted to € 5,823 at year-end 2016. € 1,277 of this amount is due to be settled within one year, € 3,085 is due to be settled after more than one year and in less than five years, and the balance of € 1,460 is due to be settled after more than five years.

Letters of credit for a total of € 9,601 were outstanding at year-end 2016 (2015: € 4,673).

The MCB Group has entered into interest rate swaps for an aggregate notional principal amount of € 57,500. These swaps are used to convert the variable interest rates charged on loans to fixed interest rates. These contracts have maturities ending between 2017 and 2020. At 31 December 2016, interest was payable at rates ranging from 2.22% to 2.64%. A variable rate applies to the interest receivable. The fair value of interest rate derivatives as at 31 December 2016 was a negative amount of € 3,549.

Notes to the consolidated balance sheet and income statement

As security for the repayment of the debts to banks, an undisclosed pledge has been created on trade receivables, inventories, bank accounts and movable property. Moreover, a floating charge has been created over the assets of Testas NV and MCB Belgique SA for a total amount of € 21,100 and the group's immovable property in the Netherlands has been pledged as security.

Net sales

7

Amounts in thousands of euros

Net sales consist almost entirely of goods sold within Europe. Net sales in the Netherlands amounted to € 355,224 (2015: € 356,170) and net sales in other countries to € 229,933 (2015: € 228,875). Approximately 41% of net sales were accounted for by flat carbon steel products (2015: 37%), 37% by stainless steel products (2015: 39%) and the remaining 22% by other (metal) products.

Staff

Amounts in thousands of euros

Comparative totals of wages, salaries
and social security contributions:

wages and salaries
social security contributions
pension costs
other staff costs

2016

40,118

6,800

3,157

8,296

58,371

2015

40,332

6,594

3,030

5,699

55,655

The total amount of staff costs of € 58,371 (2015: € 55,655) is recognized in the income statement as follows: € 28,609 (2015: € 26,992) has been included in cost of sales, € 16,792 (2015: € 15,328) has been included in selling expenses and € 12,970 (2015: € 13,335) has been included in general administrative expenses. The average number of employees was 822 in 2016 (2015: 847). Staff numbers can be broken down by activity as follows: sales 234 (2015: 206), warehousing and transport 333 (2015: 356), production 117 (2015: 123) and other 138 (2015: 161). The average number of employees outside the Netherlands was 140 (2015: 155).

Taxes

The weighted average applicable tax rate was 27.5% (2015: 28.7%). The effective tax rate on profit/loss before tax as per the income statement was 28.5% (2015: -26.1%). The effective tax rate was higher than in the previous year because of a write-off of a tax-loss carry-forward in 2015. The difference between the weighted average applicable tax rate and the effective tax rate is due in particular to a mix of results of the group companies.

Auditor's fees

The fees payable to the independent external auditor and the audit firm charged to the income statement in the year under review totalled € 327 (2015: € 708). These fees relate to the audit of the financial statements for the 2016 financial year, regardless of whether the work was undertaken during the financial year. This amount can be broken down as follows:

Amounts in thousands of euros

	2016	2015
audit of the financial statements	278	251
tax consultancy services	16	14
other non-audit services	33	443
	<u>327</u>	<u>708</u>

Company balance sheet

before appropriation of net income

Assets		31-12-2016	31-12-2015
<i>Amounts in thousands of euros</i>			
Fixed assets			
Intangible fixed assets ¹		1,860	2,022
Tangible fixed assets ²			
other fixed operating assets	16		92
		16	92
Financial fixed assets ³			
subsidiaries and other investments		181,024	172,424
Current assets			
Receivables ⁴			
group companies	124		15,650
taxes and social security contributions	-		3,006
other receivables	536		-
		660	18,656
Cash and cash equivalents	957		5,784
		184,517	198,978

- ¹ See note 1 on page 41
- ² See note 2 on page 41
- ³ See note 3 on page 42
- ⁴ See note 4 on page 42

Liabilities

Amounts in thousands of euros

Equity ⁵

paid-up capital	3,587
share premium	1,685
revaluation surplus	27,113
other reserves	80,062
unappropriated net income after tax	14,938

31-12-2016

127,385

31-12-2015

3,587
1,685
27,748
94,292
-2,825

124,487

Provisions

deferred tax liabilities	-4
other provisions	36

32

32

-3
279

276

Current liabilities

banks	43,874
current portion of non-current liabilities	-
group companies	10,172
taxes and social security contributions	714
other liabilities	2,340
accruals and deferred income	-

57,100

184,517

68,860
1,516
-
53
3,017
768

74,214

198,978

⁵ See note 5 on page 42

Company income statement

Amounts in thousands of euros

	2016	2015
net income after tax	-3,436	-3,101
income from subsidiaries and other investments after tax	<u>18,374</u>	<u>276</u>
Net income after tax	14,938	-2,825

Notes to the company balance sheet and income statement

General

The company financial statements have been prepared in accordance with the provisions of Title 9 of Book 2 of the Dutch Civil Code (Dutch GAAP) and the authoritative statements included in the Dutch Guidelines for Annual Reporting published by the Dutch Accounting Standards Board. The accounting policies for the company financial statements are the same as those for the consolidated financial statements. Investments in group companies are carried at underlying net asset value, calculated in accordance with the accounting policies applied in the consolidated financial statements. For details of the accounting policies used, please refer to the notes to the consolidated balance sheet and the consolidated income statement on pages 33 to 37.

MCB International BV heads a single tax entity for corporation tax purposes which consists of all the group's Dutch companies. Accordingly, the company and the other Dutch group companies are jointly and severally liable for the tax debt of the single tax entity as a whole. The corporation tax liability is allocated among the group companies within the single tax entity.

Intangible fixed assets

1

Amounts in thousands of euros

Summary of changes during the year:	goodwill
carrying amount at 1 January 2016	2,022
amortization	-162
Carrying amount at 31 December 2016	1,860
amortization to 31 December 2016	1,376
amortization rate	5

In connection with expected economic benefits over a period of more than 5 years, a longer amortization period is used for capitalized goodwill.

Tangible fixed assets

2

Amounts in thousands of euros

Summary of changes during the year:	other fixed operating assets
carrying amount at 1 January 2016	91
depreciation	-37
disposals	-38
Carrying amount at 31 December 2016	16
depreciation to 31 December 2016	228
depreciation rate	20-25

Notes to the company balance sheet and income statement

Financial fixed assets

3

Amounts in thousands of euros

Summary of changes in subsidiaries and other investments:

	2016	2015
value at 1 January	172,424	181,434
conversion of receivables into capital	1,869	-
income for the financial year	18,374	276
dividends	-9,811	-8,216
revaluations	-	-1,261
direct changes in equity (subsidiaries and other investments)	-44	11
credited/debited to intercompany account	-1,788	180
Value at 31 December	181,024	172,424

The statement of accounting policies contains a listing of the subsidiaries of MCB International BV at 31 December 2016.

Receivables

4

Amounts in thousands of euros

Related parties

Interest was charged on outstanding balances between group companies at a rate equal to the one-month Euribor rate plus a margin. The amount of interest paid was € 1,198 (2015: € 529), the amount of interest received was € 1,320 (2015: € 1,652) and the management fee received was € 2,623 (2015: € 2,650).

Remuneration and emoluments

Amounts in thousands of euros

The remuneration of the members of the Board of Management, both current and past, totalled € 1,234 in the 2016 financial year (2015: € 1,359). The remuneration consists of periodic payments, such as salaries, social security contributions, expense allowances and reimbursements, and the provision of a car. Other benefits included in this amount are bonuses and payments that will become payable in the future, such as pensions and other post-employment benefits. Emoluments paid to members of the Supervisory Board totalled € 121 in 2016 (2015: € 132). MCB International BV aims to achieve a balanced division of seats on the Board of Management and the Supervisory Board while also ensuring the high quality of its governing bodies.

Equity

5

Amounts in thousands of euros

The authorized capital stands at € 8,354: € 6,992 is represented by ordinary shares, € 1,317 by convertible ordinary shares (class B shares) and € 45 by priority shares. € 2,225 of the paid-up capital is represented by ordinary shares, € 1,317 by convertible ordinary shares (class B shares) and € 45 by priority shares. All shares have a par value of € 1. The convertible ordinary shares (class B shares) can be converted into ordinary shares on a one-for-one basis.

Equity

5

Amounts in thousands of euros

	2016	2015
<i>Paid-up capital</i>		
capital paid up at 1 January	<u>3,587</u>	<u>3,587</u>
Capital paid up at 31 December	3,587	3,587
<i>Share premium</i>		
balance at 1 January	<u>1,685</u>	<u>1,685</u>
Balance at 31 December ¹⁾	1,685	1,685
<i>Revaluation surplus</i>		
balance at 1 January	27,748	35,065
revaluation	-	-1,261
realized revaluation ²⁾	<u>-635</u>	<u>-6,056</u>
Balance at 31 December	27,113	27,748
<i>Other reserves</i>		
balance at 1 January	94,292	93,386
previous financial year's net income after tax	-2,825	1,225
dividend payment	-11,990	-6,375
realized revaluation	635	6,056
miscellaneous	<u>-50</u>	<u>-</u>
Balance at 31 December	80,062	94,292

¹⁾ For tax purposes, share premium is treated as paid-up capital.

²⁾ Realized revaluations are taken directly to the other reserves.

Proposed appropriation of net income for the 2016 financial year

The Board of Management, with the approval of the Supervisory Board, proposes that the General Meeting of Shareholders resolve to pay a dividend of € 6,270 to the shareholders in addition to the dividend already paid and to add the balance of € 8,668 to the other reserves.

This proposal is not yet reflected in the financial statements.

An interim dividend of € 11,990 was paid from the other reserves in the 2016 financial year.

Supervisory Board

A.G. Fortanier (Chairman)

W.T.J. Das

G.M.J. van Kempen

E.H.M. van den Assem

Board of Management

B. Schildkamp (Chairman)

E.J.G. van Boxtel

Valkenswaard, 24 May 2017



Other information

Auditor's report

The auditor's report is set out below.

Appropriation of net income as per the Articles of Association

Article 13 of the company's Articles of Association provides as follows with regard to the appropriation of net income:

The Supervisory Board and the Board of Management are jointly authorized to determine which part of the net income is to be allocated to reserves and how such reserves are to be used. The General Meeting of Shareholders shall decide about the appropriation of any profit or loss remaining after this authority has been exercised.

Appropriation of net income for the 2015 financial year

The financial statements for 2015 were adopted and a resolution approving the proposed appropriation of net income was passed at the General Meeting of Shareholders held on 25 May 2016.



Independent auditor's report

To the General Meeting and the Supervisory Board of MCB International BV

Report on the financial statements 2016

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of MCB International BV at 31 December 2016, and of its result for the year then ended, in accordance with Title 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of MCB International BV in Valkenswaard ('the company'). The financial statements include the consolidated financial statements of MCB International BV and its subsidiaries (together 'the group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheets at 31 December 2016;
- the consolidated and company income statements for 2016; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Title 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those provisions and standards are described under the heading 'Our responsibilities for the audit of the financial statements'.

We are independent of MCB International BV as required by the Assurance Engagements (Independence of Accountants) Regulation (Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten or ViO) and other relevant independence requirements in the Netherlands.

We have also complied with the Regulation on Rules of Professional Conduct and Practice of Accountants (Verordening gedrags- en beroepsregels accountants or VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Management and the Supervisory Board

The Board of Management is responsible for:

- the preparation and fair presentation of the financial statements and the preparation of the management report, both in accordance with Title 9 of Book 2 of the Dutch Civil Code, and for
- such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned above, the Board of Management should prepare the financial statements using the going concern basis of accounting, unless the Board of Management intends to liquidate the company or to cease operations, or has no realistic alternative but to cease operations. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which means that our audit may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our auditor's report.

Report on other legal and regulatory requirements

Our report on the Report of the Board of Management and the other information

Pursuant to the legal requirements of Title 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management report and the other information):

- we have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code, and whether the other information required by Title 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the management report, to the extent we can assess, is consistent with the financial statements.

Eindhoven,
PricewaterhouseCoopers Accountants N.V.

Original copy signed by:
Drs. J.J.T. van Kessel RA

Appendix to our auditor's report on the financial statements 2016 of MCB International BV

In addition to the information provided in our auditor's report, this appendix describes in greater detail our responsibilities for the audit of the financial statements and explains what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our objective is to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Our audit included, inter alia:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error; designing and performing audit procedures responsive to those risks; and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. Fraud may involve collusion, forgery, intentional omission of transactions from records or documents, intentional misrepresentation, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of the accounting policies used and evaluating the reasonableness of estimates by the Board of Management and the related disclosures in the financial statements;
- evaluating the presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Considering our ultimate responsibility for the opinion, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of the group entities or the activities, the accounting processes and internal controls, and the industry in which the company operates. On this basis, we selected group entities for which an audit or review of financial information or specific account balances was considered necessary.

We communicate with the Supervisory Board about, inter alia, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Five-year summary

Five-year summary

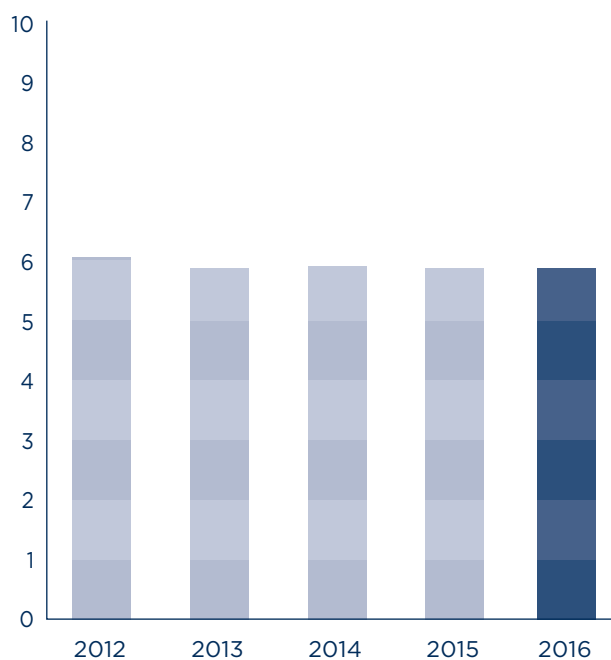
Amounts in thousands of euros

	2016	2015	2014	2013	2012
General					
net sales	585,157	585,045	590,393	587,161	604,969
net profit/loss	23,975	2,333	8,229	-13,593	-15,072
net income after tax	14,938	-2,825	1,225	-14,835	-15,701
depreciation/amortization	9,532	10,518	13,589	14,613	15,037
average number of employees	822	847	906	959	1,029
sales per employee	712	691	652	612	588
net income after tax per employee	18	-3	1	-15	-15
capital expenditure	10,539	3,107	1,939	2,135	3,923
tangible fixed assets at year-end	70,402	71,841	89,491	111,569	117,669
group equity ¹¹	127,385	124,488	134,948	139,616	154,451
total assets	259,703	269,940	301,461	336,061	380,601
Solvency ratio					
group equity as a percentage of total assets at year-end	49.1%	46.1%	44.8%	41.5%	40.6%
Liquidity					
current ratio	1.5	1.4	1.3	1.3	1.4
Profitability					
net income after tax as a percentage of group equity ²¹	11.7%	-2.3%	0.9%	-10.6%	-10.2%
net income after tax as a percentage of net sales	2.6%	-0.5%	0.2%	-2.5%	-2.6%

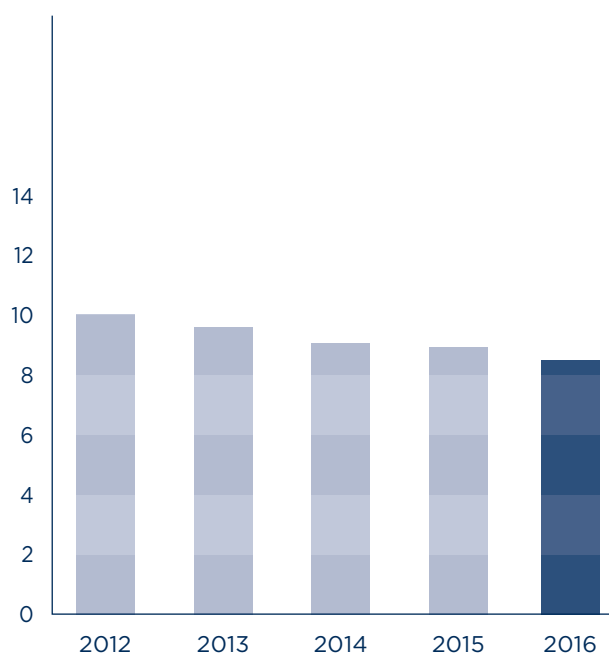
¹¹ Before deduction of the proposed dividend distribution.

²¹ After deduction of the proposed dividend distribution.

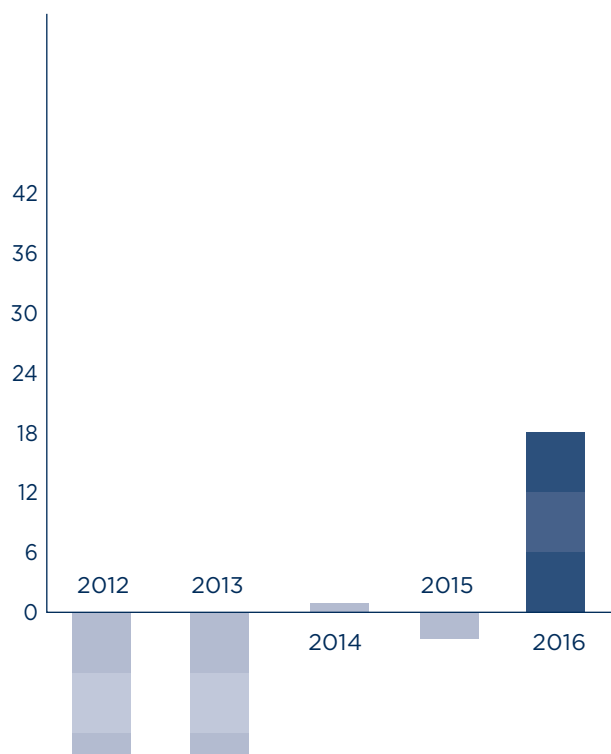
Net sales $\times \text{€}100,000,000$



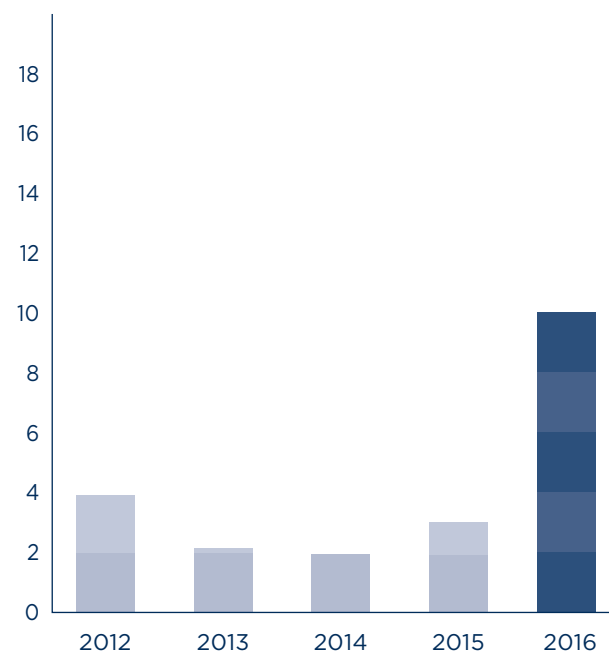
Average number of employees $\times 100$



Net income after tax per employee $\times \text{€}1,000$



Capital expenditure $\times \text{€}1,000,000$



List of group companies

Netherlands

MCB Nederland BV

Directors B. Schildkamp en E.J.G. van Bortel
Address J.F. Kennedylaan 59, Valkenswaard
Postbus 2, 5550 AA Valkenswaard
Telephone +31 (0)40 2088333
Telefax +31 (0)40 2043795
E-mail info@mcb.nl
Website www.mcb.eu

Belgium

MCB Belgique SA/MCB België NV

Delegated
director B. Wouters
Address Rue J.L. Defrêne 107, 4340 Awans
Telephone +32 (0)4 2396611
Fax +32 (0)4 2396605
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