

2017 | Annual Report | Jaarverslag



MCB International





Management report 2017

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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 2017

Amounts in thousands of euros

Net sales	685,283
Net profit before non-recurring items	29,697
Non-recurring items:	
Other items	1,280
Net profit after non-recurring items	30,977
Net cash flow	643
Capital expenditure	6,835
Group equity	137,136
Interest-bearing loan capital	37,791
Non-interest-bearing loan capital	124,782
Fixed assets	73,534
Current assets	226,175
Average number of employees	838





Report of the Supervisory Board

To the shareholders

We are pleased to present for your approval the financial statements of MCB International BV for the 2017 financial year, prepared by the Board of Management and co-signed by the Supervisory Board, together with the report of the Board of Management.

Consultations and decisions

The Supervisory Board convened on six occasions during the reporting year. Each meeting considered a number of fixed agenda items, including corporate strategy, financial developments, the operational and policy plans of the individual group companies and potential substantial capital expenditure. The meeting at which the financial statements were discussed was also attended by the external auditor, PricewaterhouseCoopers Accountants NV. This meeting also considered the report of factual findings. The annual consultation meeting of the Supervisory Board with the Works Council of MCB Nederland was held on 13 December 2017. In addition, we wish to report that Mr E.H.M. van den Assem stepped down from the Supervisory Board on 24 May 2017. Ms G.L.P.M. Duijmelings was appointed to succeed him from the same date.

Developments in 2017

2017 saw an increase in market demand for metals and an increase in MCB Group's net sales. Prices of raw materials generally showed a stable to increasing trend in 2017. Further progress was made in implementing the strategic plan developed in 2015, the essence of which is that MCB strives to occupy a prominent place in the metals and specials supply chain, offering added value to customers and suppliers alike. Important milestones in this respect were the operationalization of the new high-rise warehouse and the introduction of online shops through which the various MCB Group companies can serve the online market. Such innovations establish a firm basis for further improvements to our customer service, while also serving to increase our market share in the relevant regions. These positive developments are reflected in the underlying financial results. We have been able to maintain the upward trend seen in recent years and thus continue to strengthen the Group's financial position.



Prospects for 2018

Implementation of the strategic plan will continue in 2018, and the plan will also be subject to further refinement. We expect the markets on which MCB is active to show a further rise in demand for metals and MCB will continue to optimize its customer performance in 2018. We therefore feel justified in forecasting a further increase in the profit level compared to 2017.

Financial statements and discharge from liability

PricewaterhouseCoopers Accountants NV has issued an unqualified auditor's report on the financial statements of MCB International BV for 2017. These financial statements were discussed at the meeting of the Supervisory Board of 19 April 2018, at which it was decided that both the financial statements and the proposed profit appropriation would be submitted for approval to the General Meeting of Shareholders. We therefore advise and request you to approve the financial statements for 2017, 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 MCB Group for their efforts and commitment in 2017. We are confident that MCB will continue to perform strongly in the years ahead.

Valkenswaard, 28 May 2018

The Supervisory Board of MCB International BV

A.G. Fortanier (Chairman)

W.T.J. Das

G.M.J. van Kempen

G.L.P.M. Duijmelings (from 24 May 2017)

Report of the Board of Management

The report year saw a further increase in activity among our customers, continuing the upward trend of the preceding year. This higher level of market activity had a positive effect on MCB. Although MCB's sales rose only moderately during the first half-year, the rising demand in the second half of 2017 evidently led to higher sales. The overall result was a 2 per cent year-on-year increase in sales by volume in 2017. Prices of raw materials showed a stable to increasing trend in 2017. Once again, the upward trend seen in 2016 therefore continued, with the most significant growth in aluminium and in carbon steel long products. Prices of carbon steel sheet and stainless steel products remained stable on balance. These developments in 2016 and 2017 contributed to the overall sales increase in 2017 compared to 2016.

The rising commodity prices were due to the improved global economic conditions and to the anti-dumping measures implemented by Europe and the United States. The year 2017 was notable for strong economic growth in almost all relevant regions.

In 2017 work continued on the implementation of the long-term strategy plan. 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.

Following the successful roll-out of the MCB Nederland web portal in 2016, the webportals of the other operating companies went live in 2017. Attention was also devoted to the further implementation of the new CRM system. Several customers and suppliers were connected through EDI, allowing an electronic exchange of information.

The fully automated high-rise warehouse for long products became operational in 2017. At the same time, we restructured and refitted the back office in Valkenswaard with a view to further improving our customer service. It must be conceded that these changes placed considerable pressure on the organization, whereupon there was a brief period in 2017 during which supply reliability was not at the usual high level. Fortunately, timely measures and renewed focus on service ensured that customer performance could be restored by the fourth quarter of 2017. The biannual customer satisfaction survey was conducted in late 2017. We are pleased to report that the ratings awarded by our customers were as high as they were in the previous survey in late 2015.

The premises formerly occupied by MCB Specials in Almere were sold in 2017. And following the 2016 closure of one Belgian MétalSERVICE location, the remaining MétalSERVICE location in Awans returned a profit in 2017.

Net sales increased from 585.2 million euros in 2016 to 685.3 million euros in 2017. Sales volume increased by 2.0 per cent over the same period. The MCB Group closed the year 2017 with a pre-tax profit of 28.5 million euros.

The market in 2017

Building upon the positive developments seen in 2016, 2017 was also marked by growth as the global economy continued to improve. According to market research company Euromonitor, global economic growth was approximately 3.7 per cent in 2017, an increase compared to the previous years.

The analysts of ABN AMRO report a 3.3 per cent growth in the Dutch economy in 2017, the highest increase since 2007. This is partly due to an increase in international trade, but is also attributable to improved performance by the construction sector, which saw growth of 5.5 per cent in the Netherlands in 2017 according to figures published by Rabobank. The manufacturing industry saw growth of approximately 3.0 per cent during the report year, while the wholesale sector achieved year-on-year growth of 3.8 per cent in 2017.

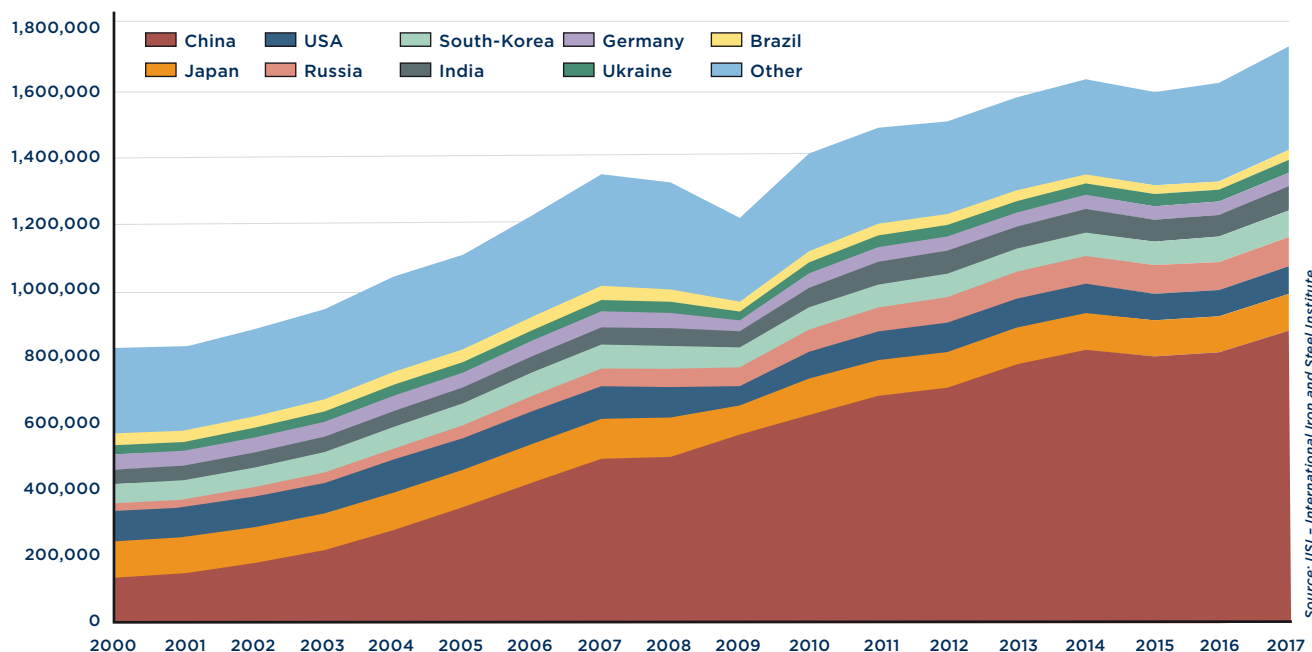
Metal production and consumption

According to the analysts of Atradius the global steel sector recovered in the course of 2017 following a brief period of decreased demand. Both steel prices and global steel consumption showed an upward trend throughout the year, and this served to relax the constraints on the profit margins of many steel companies.

According to the Worldsteel Association, global steel production increased by 5.3 per cent in 2017 to reach 1.7 billion tons. In Asia, production increased by 5.4 per cent to 1.2 billion tons, of which 832 million tons were produced in China (representing growth of 5.7 per cent). This represents a slight increase in China's contribution to global steel production, from 49.0 to 49.2 per cent.

European steel production increased by 4.1 per cent to 169 million tons in 2017. Over a quarter of this European steel (43.6 million tons) was produced in Germany, an increase of 3.5 per cent compared to 2016. Steel production in the Netherlands totalled 6.8 million tons in 2017, a year-on-year decrease of 2 per cent. In Belgium steel production stabilized at around 7.7 million tons in 2017, more or less the same as in the preceding year.

Global steel production (x 1 million tons) by country and by year (2000 - 2017)

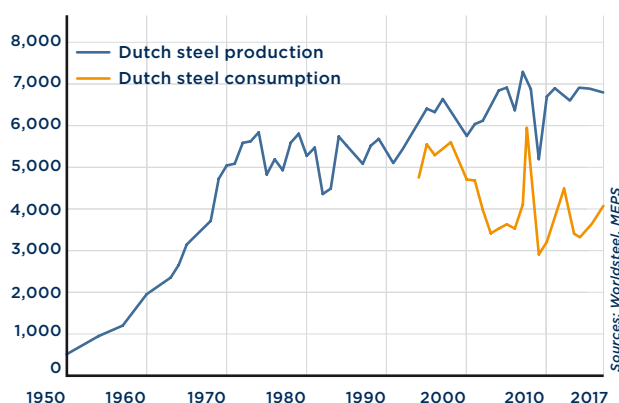


On a number of occasions, the Chinese government has promised to reduce the country's overproduction of steel and to consolidate the sector. Thus far the promises have led to little affirmative action, not least because regional governments have a vested interest in maintaining high production levels in order to safeguard employment. Any extensive consolidation of the sector seems a distant prospect. Atradius therefore considers overcapacity in the Chinese steel and metals industry to be a major ongoing challenge.

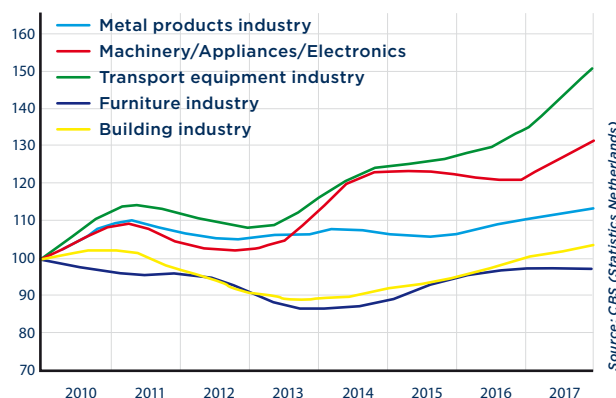
Global steel consumption rose by 2.6 per cent in 2017, according to figures published by the World Steel Association (WSA). This growth is largely attributable to improved performance in the most advanced and

developed economic regions. Even so, the global steel market remains beset by a number of ongoing fundamental problems. Steel is extremely sensitive to political and economic risk factors such as protectionism, Brexit, capital outflows from the emerging markets, and the weakening of the Chinese economy. Should any of these potential risks materialize to a significant degree, there would inevitably be an immediate decline in regional or international demand for steel. At the same time, steel producers and traders remain under pressure. Overcapacity remains a major problem. Although global capacity usage currently stands at around 72 per cent, this is significantly lower than the 85 per cent seen prior to the credit crisis of 2008.

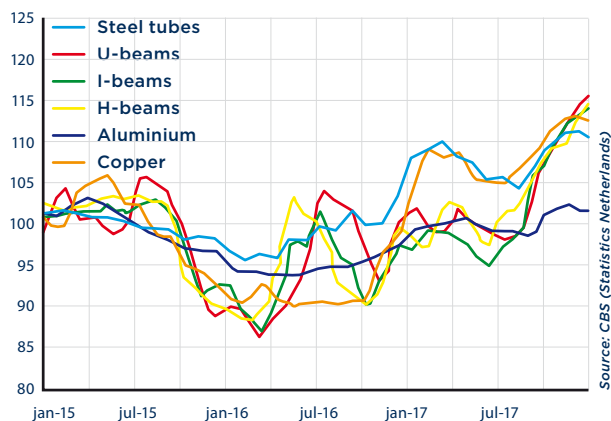
**Dutch steel production & consumption
(x 1,000 tons) per year, 1950-2017**



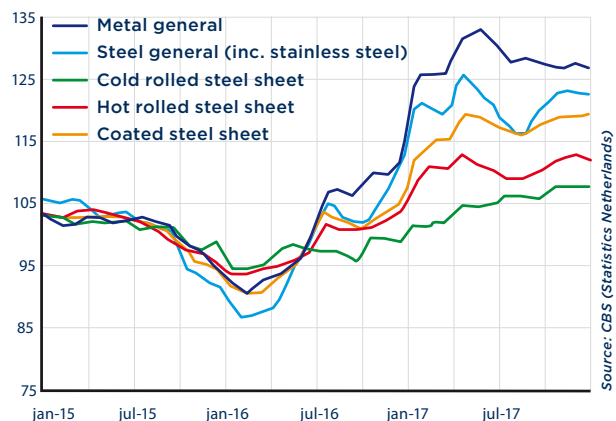
**Trends in sales in the Netherlands by sector
and by year 2010-2017
(baseline year: 2010 = 100)**



**Trends in purchase prices of long/non-ferrous
metals in the Netherlands, 2015-2017
(baseline year: 2015 = 100)**



**Trends in purchase prices of steel (sheets) in
the Netherlands, 2015-2017
(baseline year: 2015 = 100)**



SteelConsult reports that European steel consumption increased by 2.2 per cent in 2017. Market analysts of the China Daily have shown that steel consumption in China increased by 7.7 per cent to reach 725 million tons in 2017.

Germany

German steel and metal companies saw improved profit margins and sales figures in 2017, reports Atradius. This is partly due to a slight increase in demand for steel (0.9 per cent in 2017) as well as further increases in market prices, a trend which began in 2016.

Belgium

According to Atradius researchers, the Belgian steel and metals sector has benefited from the upturn in sales prices which began during the second half of 2016, coupled with increased demand on the part of the automotive and construction sectors, the main consumers of metals. However, competition on the international markets remains fierce, particularly from Asian steel and metals companies. Profit margins in the Belgian steel market were reasonably stable, while financing requirements and leverage are high.

The Netherlands

The steel and metals industry accounts for only 1.1 per cent of the Netherlands' gross domestic product (GDP) but is nevertheless of great importance as a key supplier to the construction, automotive and machinery sectors. In 2017, steel production in the Netherlands was 6.8 million tons. Although some 2 per cent lower than in 2016, this output makes the Netherlands the sixth largest steel-producing country in Europe. The sector consists chiefly of steel traders and wholesalers and is heavily reliant on the performance of the domestic construction sector.

Throughout 2017, Dutch steel producers and wholesalers were again very much dependent on banks to finance their inventories. It would appear, however, that financial institutions are now more willing to extend loans due to the ongoing economic recovery.

Stainless steel and aluminium

MEPS International (Independent Steel Industry Analysts) report that global production of stainless steel reached a record 47.5 million tons in 2017, a year-on-year increase of 3.8 per cent. In Europe, stainless steel production rose by just under 1 per cent to reach 7.35 million tons. The expected growth in China did not materialize due to production cuts imposed by the Chinese government. Even so, China still accounted for over half of global stainless steel production in 2017.

According to the International Aluminium Institute, global production of aluminium rose by 5.8 per cent to reach 63.4 million tons in 2017. Growth was therefore significantly higher than the 0.5 per cent recorded in 2016. Once again, Asia accounted for the lion's share of the increase. Following a period of stabilization in 2016, China achieved moderate (reported) production growth of 1.9 per cent in 2017. Other Asian countries, however, showed a far more significant increase of 14.8 per cent, producing a total of 4 million tons of aluminium. European aluminium production remained stable in 2017, while other regions showed a slight decrease.

Metal prices

According to ABN AMRO, global steel prices increased by 28.7 per cent in 2017, while the global price of aluminium rose by 22.7 per cent. These excessive price increases are largely attributable to economic developments in China, the world's main consumer of base metals. The economic sentiment in China may be described as exceptionally good throughout the report year. The purchasing managers' indices for the processing industry were high, there was visible recovery in both industrial output and retail sales, while the real estate sector and trade figures showed further growth.

Moreover, the Chinese stock market performed something of a volte-face in early 2017. The first few weeks of 2017 saw a marked increase in the number of 'long positions' acquired by investment funds. Investor confidence had clearly been restored. This sentiment continued throughout the remainder of the year.

The price of stainless steel also increased during 2017, albeit somewhat less dramatically than in the case of steel and aluminium. The stainless steel price also proved more volatile. The price of stainless steel rose steadily for the first four months of the year, partly due to the increase in the price of nickel during the first quarter of 2017. There was then a marked decrease in the price of nickel, which inevitably affected that of stainless steel. From September 2017 onwards, both nickel and stainless steel prices began to rise once again and appeared to be stabilizing. Market analysts offer several possible explanations for this pattern, including increased (global) demand for nickel for use in the batteries of electric vehicles, and increased demand for stainless steel in Europe.

It is interesting to note that the market price of stainless steel remained stable during the final months of 2017 despite the rise in the alloy surcharge. As imports represented a far greater proportion of the purchasing mix for stainless steel, the direct link between the alloy surcharge and selling price no longer applied. MCB also adapted its purchasing strategy in line with the new market conditions in 2017 and imported a significant proportion of the stainless steel commodities.

Positioning and market approach

MCB is keen to offer added value to both customers and suppliers. Several projects initiated in 2016 to improve customer service levels yet further were consolidated during the report year, with adjustments and refinements made where possible and appropriate. It is clear that MCB has indeed succeeded in creating the envisaged added value. This is amply demonstrated by the results of the customer satisfaction survey held at the end of 2017, in which we achieved a very creditable overall rating of 8.5 (out of 10).

Projects such as the new high-rise warehouse and the digitization of processes are clearly having the desired effect. The various initiatives undertaken by MCB have been well received by the market. Many customers have already made eager use of the new web portal as well as new service concepts such as EDI, Vendor Management Inventory (VMI) and MetaalTotaal Service (MTS).

MCB's unique, distinctive solutions, combined with specialist knowledge and products, once again helped our customers

to consolidate their competitive position in 2017. The 'MetaalTotaal Service' offered by MCB Direct has proven to be the ideal solution for customers wishing to outsource processes that are not part of their core business to a reliable partner. By allowing our customers to focus on their core business, we are indirectly helping them to strengthen their position.

In short, MCB further strengthened its 'focus on the customer' in 2017, 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.

Activities

Proactive, expert and with a focus on total solutions. The operational activities of MCB were firmly based on these three core values in 2017. 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-performance alloys.

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 – like 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 offers a full logistics service to customers in the Netherlands, Belgium, large parts of Germany and northern France.

Financial developments

For MCB 2017 was a year of further recovery compared to previous years. The strategy pursued over the past years translates into a further increase in the return on invested capital. Raw material prices were volatile but generally showed an upward trend in 2017. This had a positive effect on the performance.

MCB's net sales increased from 585.2 million euros in 2016 to 685.3 million euros in 2017. Sales volume increased by 2.0 per cent over the same period. The MCB Group closed the year 2017 with a pre-tax profit of 28.5 million euros. This profit includes a one-off gain of 1.3 million euros in respect of the sale of the immovable property in Almere. Despite the higher raw material prices, sales and volume, the net cash flow was slightly positive. Operating capital increased by 16.0 million euros. The solvency ratio decreased from 49.1 per cent at the close of 2016 to 45.8 per cent at the close of 2017.

After the decline in the balance sheet total to 259.7 million euros in 2016, it rose to 299.7 million euros in 2017. This increase in the balance sheet total was due to the higher operating capital as a result of the higher prices and the sales increase and also to the higher stock levels compared to those at year-end 2016. As a result of the sale of the immovable property in Almere and the careful investment policy, total fixed assets declined to 73.5 million euros in 2017.

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 2017 were those caused by the continuing overcapacity among metal producers and fluctuating raw material prices. MCB hedges part of the price risks of aluminium and stainless steel with financial instruments. The 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

In 2017 we maintained our focus on sharing knowledge, both online and off. At MCB we do not regard sharing our expertise with others as a threat. Rather, we see it as an opportunity to demonstrate the quality of our organization to the market. All staff are therefore actively encouraged to share knowledge through various channels such as LinkedIn. This is partly because the majority of purchasing processes now begin online, although MCB also undertakes extensive knowledge-sharing activities 'in the real world', including the acclaimed MCB Campus.

The use of the CRM system 'C4C' was promoted throughout the organization in 2017 through proactive communication and by providing support to employees using the system. Within just one year the system has grown into a valuable tool with which everyone within the organization can work to strengthen our relationship with the customer yet further.

Digitization is an important component of our communications strategy. Various digital resources and processes enable MCB to increase added value while keeping costs competitive. As use of the web portal and concepts such as EDI increases, staff have more time for 'consultative selling'. Training courses are organized to help commercial staff to understand the challenges that our customers face and to shift the focus of their interaction towards providing practical support.

Throughout 2017, MCB continued to use various communication channels and resources, many of them online, including the 'BrancheBarometer' industry indices (which present the findings of monthly market surveys of specific metal sectors), Marktnieuws (providing customized information on market developments via email and Twitter), and Adwords (ads which appear above Google search results). We also updated our website content on a regular basis and posted information on social media and videos on YouTube, targeting both (potential) customers and those interested in career opportunities at MCB.

Events

MCB believes in personal contact, even – or especially – in this digital era. The new customer meeting room is therefore the venue for regular events, with an emphasis on theme-oriented knowledge events for specific target groups. The meeting room is also available for metal-related events organized by third parties. This is a deliberate choice on our part in order to demonstrate our ‘platform function’.

Internal communication

MCB has various internal communication resources, many of which were further refined in 2017. There has been a visible increase in usage and reach. The new intranet was made available to all staff in mid-2017 and has attracted a loyal readership. It helps to foster a sense of engagement with the organization.

Market research

Alongside the above-mentioned BrancheBarometer indices and Marktnieuws, MCB engages in various other forms of ‘market intelligence’. MCB was among the first steel companies to use the NPS rating system which measures how likely customers are to recommend MCB to others. The report year saw the roll-out of NPS 2.0, which not only asks customers to state whether they would recommend our products and services but invites them to evaluate their experience with the various MCB ‘touchpoints’, such as the website, social media, web portal and advisors.

We attach great significance to the NPS score. The survey is low threshold, user-friendly and thus easy for customers to complete. Its results are recognizable and of great practical value. Suggestions by customers for minor improvements (the ‘small loops’) can be processed immediately, but customer feedback may also reveal some common themes (the ‘big loops’) which provide the basis for longer-term action plans.

In late 2017, we conducted the biannual customer satisfaction survey, which now covers all operating companies within the MCB Group. Respondents were contacted by phone and asked to give a score for various aspects of our service. The results were extremely encouraging: the overall rating of 8.5 (out of 10) was 0.5 higher than the benchmark score for our sector.

MCB also conducts regular ad hoc surveys among specific target groups. In 2017, for example, we invited customers to comment on the various service concepts and we examined how we can best contact and serve market segments such as the cladding sector

Human Resources

The customer is the focus of all MCB’s activities. To offer the required level of service calls for an appropriate corporate culture and for engaged employees who understand and endorse our objectives. Our staff are our link with the market; they interact with customers on a daily basis. In 2016, we launched a transition project with the aim of introducing even greater customer-focus to the MCB culture and fostering the necessary engagement. The corporate culture remained a dominant theme of the HRM strategy throughout 2017. Our key values are set out in the strategy document ‘The MCB way’: teamwork, ongoing improvement, reliability and smart solutions.

In 2017, the Human Resources department devoted special attention to five areas:

Strategic human resources planning

MCB wishes to achieve and maintain a prominent position in the metals sector, with clear market leadership in the selected focus markets. This requires a high level of support services. It is therefore necessary to identify the knowledge and skills already available within the company and the types of expertise that have yet to be developed or recruited. It is also necessary to plan ahead in terms of staffing requirements, insofar as they can be foreseen. MCB devoted further attention to optimizing the workforce in 2017.

Strategy deployment

After close consultation with its various stakeholders, the MCB Group formulated a new strategic plan covering the period to 2020. The plan enjoys broad support and sets out a number of ambitious objectives intended to enhance our market position and effectiveness.



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Long-term employability

Demographic trends such as population ageing have prompted the government to raise the statutory retirement age. Put simply, employees must work for longer. At the same time, technological developments have changed the nature of working activities and the demands placed on employees, while the employees themselves also change as they age. These are all factors which MCB must take into account. In 2016, we therefore began to develop an 'age-aware human resources policy'. It is intended to address the dynamics of life and career phases, reconciling organizational requirements with those of the individual employee. The process continued in 2017 with a focus on promoting long-term employability. Staff should be willing and able to work until statutory retirement age, doing so in good health and with maximum job satisfaction.

Strengthening of the front offices

One of the challenges faced by the front offices is the need to consolidate the quality, skills, culture and commercial effectiveness of the MCB Group. Close attention must be devoted to the training and coaching of Sales staff with a view to achieving the desired level of customer service. After all, it is our staff who underpin the success of the organization: they form our link with the customer.

Leadership and Management Development

Line managers play a key role in staff development and support. They must not only possess specialist knowledge at the highest level, but must be able to translate the MCB strategy into objectives and activities within their own unit or department. Line managers must provide a role model for their staff. In 2017, all MCB line managers were therefore charged with instructing, motivating, coaching and inspiring their staff. They were also responsible for cementing good relationships between the members of their teams and between their team members and our customers.

To support line managers (and those aspiring to the position), the MCB's HR department has implemented a cohesive leadership training programme designed to develop the competencies that managers must possess if they are to help their staff reach their full potential. Attention is also devoted to the change management skills needed to address future developments.

Corporate Social Responsibility (CSR)

The MCB Group is ever mindful of its role and function within society. We are aware of our responsibilities and all activities are conducted with respect for people and the environment. In recent years we have taken steps to maximize health and safety, increase social engagement and reduce our environmental footprint. The organization's CSR policy was subject to a full assessment in 2017. The outcome was positive: "The CSR policy is good and is documented in a clear and transparent manner. Its focus is clearly influenced by the results of consultations with the relevant stakeholders. Management shows good leadership and provides the resources needed to implement the CSR policy effectively. The organization has a solid understanding of the degree of compliance with laws and regulations."

People

Safety in the workplace

As ever, safety was the key priority for MCB in 2017. The SAFE registration system, implemented in 2016, is a valuable tool which allows us to monitor safety performance even more effectively. Staff can report incidents and hazardous situations in a low-threshold manner. The reports are then processed using the same system. The Safety Policy Plan was subject to a major update in 2017. The key safety issues are now summarized in a number of key themes. Line managers and health and safety ambassadors attended the 'felt leadership' course which raises awareness of safety and risk. Several safety campaigns were launched in 2017. Safety is always a leading item on all meeting agendas.

Long-term employability

Long-term employability once again enjoyed much attention during the report year. Various projects focusing on ergonomics, health and well-being are in place to ensure that staff remain fit, healthy and active throughout their career.

MCB's projects are largely based on three pillars:

- Vital, healthy, enjoyable: we promote a healthy lifestyle by encouraging staff to take part in sports, eat well and avoid bad habits such as smoking.
- Learning for the future: we promote knowledge acquisition by various means, including e-learning modules, new training courses and a wider range of training and study opportunities.
- Safety in the workplace: we implement various measures to minimize risk and maximize safety.



Planet

In mid-2017, the entire MCB road transport fleet was certified 'clean'. All commercial vehicles of MCB now have engines that are Euro 5 or Euro 6 compliant and therefore account for emissions well within the limits established by EU legislation. Our use of diesel oil was reduced in 2017 and we further improved our fuel efficiency. MCB is also on course to achieve compliance with the European Energy Efficiency Directive (EED). Following a thorough 'energy audit', MCB has produced an action plan to achieve a twenty per cent reduction in CO2 emissions within a few years.

The process of replacing all lighting with energy-efficient LED lamps continued in 2017. We also reduced both energy consumption and CO2 emissions by replacing several large heating boilers in 2017.

Government inspectors conducted an environmental audit at MCB premises during the report year. A few minor points aside, we were found to comply with all environmental requirements.

Profit

'Profit' is an important component of Corporate Social Responsibility. Business must be conducted in an ethical, transparent manner, in full compliance with laws and regulations and the requirements of good governance. MCB devotes much attention to these points. We also try to be as transparent as possible in terms of sharing our knowledge, as demonstrated by the materials knowledge courses we organize for the benefit of our customers.

In 2017, we also started work on a new Code of Conduct which will ensure that both MCB and its suppliers devote full attention to all aspects of Corporate Social Responsibility.

Group companies

MCB Nederland BV

MCB Nederland BV is based in Valkenswaard, the Netherlands. It has been a wholesale distributor of metals for over 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 80 years, MCB Specials 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 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 SA/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.

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.

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.

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 2018

The analysts of both ING and Rabobank forecast further economic growth in 2018. Although certain risks cannot be excluded, the analysts take a positive view of market developments. According to the ING Economic Bureau, the Dutch economy will also see steady growth in 2018. Analysts even project growth in the order of almost 3 per cent. This projection is underpinned by various factors: an above-average export level, falling unemployment, increased consumer spending, and good performance by various sectors. The economy will be given a further boost by increased government expenditure. One possible obstacle to economic growth is the increasing shortage of personnel.

Both ING and Rabobank expect the construction sector to post the strongest growth in 2018, although the projected 4 per cent is somewhat lower than in the previous years. Having shown an upward trend for five consecutive years, it seems that the sector can no longer maintain this pace. Several contractors report a shortage of skilled staff and materials.

The market analysts of ING and Rabobank believe that the manufacturing industry will show further growth in the order of 2.8 per cent, mainly due to increased exports. Within the manufacturing industry, the fastest growing sector is likely to be the technological sector. Final manufacturers of cars (in the Netherlands: VDL Nedcar) and machines will see sharp growth, with companies in their supply chain (the metals and plastics sectors) also benefiting.

The chemicals sector saw reasonable growth in 2017 (2 per cent) and is expected to maintain this level in 2018, although profit margins will be under some pressure due to the increase in oil prices. According to the analysts of ING and Rabobank, the wholesale sector (3.5 per cent) and the transport sector will also see growth in 2018. Both sectors are heavily dependent on exports and will therefore benefit from the growth in international trade. The market analysts express some concern about the possible impact of Brexit. According to ING, wholesale distributors of industrial products such as machines and computer hardware will see their sales develop more or less in line with overall economic growth. However, growth within this segment is likely to be somewhat lower in 2018, at just over 4 per cent, due to lower corporate investments.



Metal production and consumption

The World Steel Association (WSA) forecasts a 1.6 per cent increase in global steel consumption in 2018. Analysts attribute this growth mainly to improved performance by most of the advanced and developing economies. The researchers of SteelConsult expect steel consumption in Europe to increase by 1.8 per cent.

According to steel consultancy MEPS, total production of stainless steel will grow by 3.2 per cent to 49 million tons in 2018. MEPS expects European production of stainless steel to increase by 2 per cent to 7.5 million tons, a sharper rise than in 2017.

Prices

China's dominance will once again determine the dynamics of the industrial metals markets in 2018, reports ABN AMRO. Given that the country accounts for approximately half of both worldwide production and consumption of industrial metals, this is hardly surprising. Although the Chinese steel market faces certain risks (a housing market under strain, reduced economic growth and a high budgetary deficit), ABN AMRO expects steel prices to be higher at the end of 2018 than at the beginning of the year.

From a fundamentals perspective there are good reasons for this, not least the ongoing shortages on the base metals markets in 2018. The market analysts at ABN AMRO expect global steel prices to rise by 5.3 per cent and global aluminium prices by 5.8 per cent in 2018.

Stainless steel prices are also expected to rise slightly. However, the analysts sound a note of caution, pointing to certain important macroeconomic factors – such as the recent developments in the USA regarding steel tariffs and the possibility of environmental restrictions being imposed by the Chinese government – that could render this forecast inaccurate.

The analysts of steel consultancy MEPS expect the recovery of European steel prices seen in 2016 and 2017 to continue in 2018. In the longer term, however, they believe that prices will fall due to the negative pressure on raw material prices.



MCB Group

2017 saw the further implementation of the strategic plan adopted in 2015. A number of major milestones have now been achieved. Important components of the plan are the implementation of innovative e-commerce concepts and the construction of a new high-rise warehouse for long products. Significant progress was made in both areas in 2017: the high-rise warehouse was opened and the online shops of all group companies became operational. The strategic plan establishes a firm basis from which to further improve our service level with a view to increasing our market share. We will continue along this path in 2018. Specific attention will be given to further growth in the markets in which MCB operates and to the positioning of the various front offices.

We will continue to pursue improvements and further optimization in 2018. The MCB Group will develop to become an organization where safety and ongoing improvement are high on the agenda. We endeavour to keep the costs as low as possible 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. In 2018, the strategic plan formulated in 2015 will be further refined and updated to lay out clear goals for the coming years.



Sales and profit projections

We expect demand for metals to increase further in 2018. 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.

For 2018, the MCB Group expects a positive profit performance compared to 2017. This will be due in part to increasing market demand, but the recent optimization of our organization will also play a significant part. We will continue to invest in service concepts targeting specific customer groups and we intend to roll these out further to our customers in 2018. Our delivery performance is now at a high level, as is customer satisfaction. Nevertheless, there remains some room for further improvement in both areas and we will continue to pursue that improvement in 2018. We will also continue to invest in the optimization of our processes and operations with a view to cementing our ability to work in an inventive, innovative and effective manner.

The volatility of raw material prices continues to call for measures that 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 2018.

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 2018 we will continue to invest in machinery overhauls, the purchase of new machines and trailers, and also in further improvements in our logistics infrastructure. And finally, investments will be made to improve our IT systems in order to further optimize processes and to support our digitization efforts.

Word of thanks

The results achieved in 2017 contributed to the further improvement of the financial stability of the MCB Group. After the progress made in 2016, we were able to strengthen our financial position in 2017, thus helping to secure the Group's long-term continuity and ongoing profitability. In 2017, the various ongoing changes within the organization took their toll and resulted in a brief period during which we were unable to guarantee the level of service that our customers have come to expect. This experience reminded us of the impact that internal developments can have on our external setting and customers.

Although certain changes remain inevitable if we are to continue to bolster the competitive strength of the manufacturing industry, we will in future be even more mindful of the potential effect on our customers.

We would like to take this opportunity of thanking all customers, suppliers and other business partners for their continued confidence in MCB. The Board of Management also wishes to record its sincere gratitude to all employees of the MCB Group, whose commitment and loyalty are the key to our success.

Board of Management

B. Schildkamp (Chairman)

E.J.G. van Boxtel

Valkenswaard, 28 May 2018



Financial statements

Consolidated balance sheet before appropriation of net income

Assets		31-12-2017	31-12-2016
<i>Amounts in thousands of euros</i>			
Fixed assets			
Intangible fixed assets ¹		5,959	6,063
Tangible fixed assets ²			
land and buildings	51,113		51,584
machinery and equipment	2,968		3,149
other fixed operating assets	6,603		2,461
unproductive assets	3,396		6,783
tangible fixed assets under construction	2,294		6,425
		66,374	70,402
Financial fixed assets ³			
other receivables		1,201	2,027
Current assets			
Inventories		130,635	98,684
Receivables			
trade receivables	84,248		72,857
other receivables	7,871		6,329
prepayments and accrued income	1,444		1,169
		93,563	80,355
Cash and cash equivalents		1,977	2,172
		299,709	259,703

- ¹ See note 1 on page 37
² See note 2 on page 37
³ See note 3 on page 38

Liabilities

Amounts in thousands of euros

Group equity ⁴

equity

Provisions ⁵

post-employment benefits

deferred tax liabilities

restructuring provision

other provisions

Current liabilities ⁶

banks

trade creditors

taxes and social security contributions

other liabilities

accruals and deferred income

	31-12-2017	31-12-2016
Group equity ⁴		
equity	137,136	127,385
Provisions ⁵		
post-employment benefits	126	157
deferred tax liabilities	12,350	9,474
restructuring provision	116	306
other provisions	3,213	3,095
	15,805	13,032
Current liabilities ⁶		
banks	37,791	38,628
trade creditors	73,438	45,644
taxes and social security contributions	22,939	20,604
other liabilities	12,290	14,043
accruals and deferred income	310	367
	146,768	119,286
	299,709	259,703

⁴ See note 4 on page 38
⁵ See note 5 on page 38
⁶ See note 6 on page 39

Consolidated income statement

	2017	2016
<i>Amounts in thousands of euros</i>		
Net sales ⁷	685,283	585,157
cost of sales	<u>615,208</u>	<u>521,695</u>
Gross profit	70,075	63,462
selling expenses	18,623	17,842
general administrative expenses	<u>20,475</u>	<u>21,645</u>
total expenses	<u>39,098</u>	<u>39,487</u>
Net profit	30,977	23,975
interest income	7	9
interest expense	<u>-2,492</u>	<u>-2,797</u>
	<u>-2,485</u>	<u>-2,788</u>
Profit/loss on ordinary activities before tax	28,492	21,187
taxes	<u>-8,032</u>	<u>-6,249</u>
Net income after tax	20,460	14,938

'Cost of sales', 'selling expenses' and 'general administrative expenses' include an amortization charge of € 1,450 (2016: € 4,923) for intangible fixed assets and a depreciation charge of € 4,425 (2016: € 4,609) for tangible fixed assets, totalling € 5,875 (2016: € 9,532).

⁷ See note 7 on page 40

Consolidated cash flow statement

	2017	2016
<i>Amounts in thousands of euros</i>		
Cash flows from operating activities		
net profit	30,977	23,975
depreciation/amortization and other changes in value	5,875	9,532
change in provisions	2,773	1,580
other changes	211	-50
change in inventories	- 31,951	1,790
change in receivables	- 12,382	-3,617
change in current liabilities ¹⁾	28,319	17,087
change in net operating capital	- 16,014	15,260
interest received	7	9
tax on profits	- 8,032	-6,249
Cash flows from operating activities	15,797	44,057
Cash flows from investing activities		
capital expenditure on tangible and intangible fixed assets	- 6,835	-10,539
disposals of tangible fixed assets	5,093	4,654
Cash flows from investing activities	- 1,742	-5,885
Cash flows from financing activities		
repayment of non-current liabilities	-	-1,516
(interim) dividends paid	- 10,920	-11,990
interest paid	- 2,492	-2,797
Cash flows from financing activities	- 13,412	-16,303
Net change in cash and cash equivalents as per the cash flow statement	643	21,869
cash and cash equivalents at year end ²⁾	- 35,814	-36,457
cash and cash equivalents at year start	- 36,457	-58,326
Net change in cash and cash equivalents as per opening and closing balance sheets	643	21,869

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 € 1,977 (2016: € 2,172) and current liabilities to banks of € 37,791 (2016: € 38,628).

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>The 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>The Netherlands</i>	<i>100%</i>
<i>MCB Direct BV</i>	<i>Valkenswaard</i>	<i>The Netherlands</i>	<i>100%</i>
<i>MCB Business & Information Services BV</i>	<i>Valkenswaard</i>	<i>The Netherlands</i>	<i>100%</i>
<i>MCB Central Europe BV</i>	<i>Valkenswaard</i>	<i>The Netherlands</i>	<i>100%</i>

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.

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.

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 2017 (no finance leases).

General accounting policies

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

There have been no changes in the accounting policies during the year. All 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.

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 cost 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 using:

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

The ineffective portion of the changes in fair value (where applicable) 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 assets, equity and liabilities

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.

General accounting policies

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 or 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 is 3.63%. 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 2017, the write-offs for obsolescence and the write-downs to a lower market value represented 1.2% (2016: 1.7%) 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 2017, the provision for doubtful debts amounted to 0.7% (2016: 1.1%) 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.

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 obligations on account of claims, disputes and legal proceedings. 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.

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.

General 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. In principle, 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 2017	1,959	3,250	854	6,063
Reclassification	-	790	- 790	-
Capital expenditure	-	548	798	1,346
Amortization	- 185	1,265-	-	- 1,450
Carrying amount at 31 December 2017	1,774	3,323	862	5,959
Amortization to 31 December 2017	1,701	30,880	-	32,580
Annual 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 2017	51,584	3,149	2,461	6,783	6,425	70,402
Reclassification	2,362	529	3,278	-	6,169-	-
Capital expenditure	993	314	2,113	-	2,069	5,489
Disposals (at carrying amount)	1,754-	-	31-	3,277-	31-	5,093-
Depreciation	2,072-	1,024-	1,218-	110-	-	4,424-
Carrying amount at 31 December 2017	51,113	2,968	6,603	3,396	2,294	66,374
Depreciation to 31 December 2017	40,344	25,858	25,598	2,835	-	94,635
Annual depreciation rate	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 was sold on 15 August 2017. The lease for the leased out commercial property was transferred.

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 2017 was € 686.

Notes to the consolidated balance sheet and income statement

Financial fixed assets

3

Amounts in thousands of euros

Deferred tax assets at 31 December 2017 totalled € 1,682 (2016: € 2,606). Of this total amount, € 1,201 is included under financial fixed assets (2016: € 2,027). The change relates to losses carried forward by one of the group companies. An amount of € 481 (2016: € 579) 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	restructuring provision	other provisions	total
Balance at 1 January 2017	157	9,474	306	3,095	13,032
Additions	-	2,996	100	128	3,224
Withdrawals	- 31	- 120	- 290	- 10	- 451
Balance at 31 December 2017	126	12,350	116	3,213	15,805

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	restructuring provision	other provisions	total
Settlement within 1 year	23	9,693	116	189	10,021
Settlement after 1 to 5 years	102	98	-	2,074	2,274
Settlement after more than 5 years	1	2,559	-	950	3,510
Balance at 31 December 2017	126	12,350	116	3,213	15,805

The other provisions at 31 December 2017 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 amount of € 22,939 (2016: € 20,604) recognized as taxes and social security contributions consists primarily of VAT payable (€ 18,810), wage tax and national insurance contributions payable (€ 2,180) and corporation tax payable (€ 1,247). The corresponding figures for 2016 were € 15,898, € 2,071 and € 2,120 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 in the future, 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 and MCB Specials BV.

During the financial year, the MCB Group sold an immovable property that was not used for its operations. In addition, another immovable property has been leased out. The remaining term of the underlying lease is 2 years. The rent payable by third parties for 2018 is € 290 (2017: € 686).

The annual rent payable to third parties for the lease of immovable property amounts to € 1,746. The remaining terms of the underlying leases range from 3 months to 6 years. Lease commitments to third parties expiring between 2019 and 2022 total € 4,153. Lease commitments expiring after 2022 total € 511.

Commitments entered into with third parties for software support & maintenance represent an annual amount of € 873.

The MCB Group has entered into commitments for the purchase/maintenance of machinery and warehouse fixtures and fittings for a total amount of € 1,568.

Operating lease liabilities amounted to € 7,190 at the end of the financial year. € 1,653 of this amount is due to be settled within one year, € 3,418 is due to be settled after more than one year and in less than five years, and the balance of € 2,119 is due to be settled after more than five years.

Letters of credit for a total of € 8,290 were outstanding at year-end 2017 (2016: € 9,601). The MCB Group has entered into interest rate swaps for an aggregate notional principal amount of € 45,000. These swaps are used to convert the variable interest rates charged on loans to fixed interest rates. The contracts have maturities ending between 2018 and 2020. At 31 December 2017, interest was payable at rates ranging from 2.38% to 2.64%. A variable rate applies to the interest receivable. The fair value of interest rate derivatives as at 31 December 2017 was a negative amount of € 2,208.

Notes to the consolidated balance sheet and income statement

At the end of the financial year, invoices for a total amount of € 4,329 had been received for goods for resale that had not yet been received. These invoices remained unpaid at the balance sheet date.

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 € 422,051 (2016: € 355,224) and net sales in other countries to € 263,232 (2016: € 229,933). Approximately 42% of net sales were accounted for by flat carbon steel products (2016: 41%), 37% by stainless steel products (2016: 37%) and the remaining 21% by other (metal) products.

Staff

Amounts in thousands of euros

Comparative totals of wages, salaries and social security contributions:	2017	2016
wages and salaries	40,758	40,118
social security contributions	7,219	6,800
pension costs	3,159	3,157
other staff costs	7,700	8,296
	58,836	58,371

The total amount of staff costs of € 58,836 (2016: € 58,371) is recognized in the income statement as follows: € 28,149 (2016: € 28,609) has been included in cost of sales, € 17,614 (2016: € 16,792) in selling expenses and € 13,073 (2016: € 12,970) in general administrative expenses. The average number of employees was 838 in 2017 (2016: 822). Staff numbers can be broken down by activity as follows: sales 239 (2016: 234), warehousing and transport 350 (2016: 333), production 119 (2016: 117) and other 130 (2016: 138). The average number of employees outside the Netherlands was 145 (2016: 140).

Taxes

The weighted average applicable tax rate was 27.5% (2016: 27.5%). The effective tax rate on profit before tax as per the income statement was 28.2% (2016: 28.5%). The effective tax rate was lower than in the previous year because of the smaller proportion of foreign corporation tax. 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 fees

The fees payable to the independent external auditor and the audit firm charged to the income statement in the year under review totalled € 296 (2016: € 293). These fees relate to the audit of the financial statements for the 2017 financial year, regardless of whether the work was undertaken during the financial year. This amount can be broken down as follows:

	<i>Amounts in thousands of euros</i>	
	2017	2016
Audit of the financial statements	240	255
Tax consultancy services	12	5
Other non-audit services	44	33
	<hr/> 296	<hr/> 293

Company balance sheet before appropriation of net income

Assets

Amounts in thousands of euros

Fixed assets

Intangible fixed assets ¹

1,699

1,860

Tangible fixed assets ²

Other fixed operating assets

-

16

16

Financial fixed assets ³

Subsidiaries and other investments

168,190

181,024

Current assets

Receivables ⁴

Group companies

5,369

124

Other receivables

1,335

536

6,704

660

Cash and cash equivalents

1,082

957

177,675

184,517

- ¹ See note 1 on page 45
- ² See note 2 on page 45
- ³ See note 3 on page 46
- ⁴ See note 4 on page 46

Liabilities

Amounts in thousands of euros

Equity ⁵

Paid-up capital	3,587
Share premium	1,685
Revaluation surplus	26,859
Other reserves	84,545
Unappropriated net income after tax	20,460

31-12-2017

137,136

31-12-2016

3,587
1,685
27,113
80,062
14,938

127,385

Provisions

Deferred tax liabilities	- 4
Other provisions	42

38

- 4
36

32

Current liabilities

Banks	37,760
Group companies	-
Taxes and social security contributions	120
Other liabilities	2,621

40,501

177,675

43,874
10,172
714
2,340

57,100

184,517

⁵ See note 5 on page 47

Company income statement

Amounts in thousands of euros

	2017	2016
Net income after tax	- 1,303	- 3,436
Income from subsidiaries and other investments after tax	<u>21,763</u>	<u>18,374</u>
Net income after tax	20,460	14,938

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 income statement on pages 37 to 41.

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:	
Carrying amount at 1 January 2017	
Amortization	
Carrying amount at 31 December 2017	
Amortization to 31 December 2017	
Annual amortization rate	

goodwill
1,860
- 161
1,699
1,538
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:	
Carrying amount at 1 January 2017	
Depreciation	
Disposals	
Carrying amount at 31 December 2017	
Depreciation to 31 December 2017	
Annual depreciation rate	

Other fixed operating assets
16
- 7
- 9
-
24
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:

	2017	2016
Value at 1 January	181,024	172,424
Conversion of receivables into capital	-	1,869
Income for the financial year	21,763	18,374
Dividends	- 34,662	- 9,811
Direct changes in equity (subsidiaries and other investments)	211	- 44
Credited/debited to intercompany account	- 146	- 1,788
Value at 31 December	168,190	181,024

The statement of accounting policies contains a listing of the subsidiaries of MCB International BV at 31 December 2017.

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 € 553 (2016: € 1,198), the amount of interest received was € 1,910 (2016: € 1,320) and the management fee received was € 3,078 (2016: € 2,623).

Remuneration and emoluments

Amounts in thousands of euros

The remuneration of the members of the Board of Management, both current and past, totalled € 1,054 in the 2017 financial year (2016: € 1,234). 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 € 157 in 2017 (2016: € 121). 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 1-for-1 basis.

Equity

5

Amounts in thousands of euros

	2017	2016
<i>Paid-up capital</i>		
Capital paid up at 1 January	3,587	3,587
Capital paid up at 31 December	3,587	3,587
<i>Share premium</i>		
Balance at 1 January	1,685	1,685
Balance at 31 December ¹⁾	1,685	1,685
<i>Revaluation surplus</i>		
Balance at 1 January	27,113	27,748
Change in corporation tax rate	70	-
Realized revaluation ²⁾	- 324	- 635
Balance at 31 December	26,859	27,113
<i>Other reserves</i>		
Balance at 1 January	80,062	94,292
Change in corporation tax rate	- 70	-
Previous financial year's net income after tax	14,938	- 2,825
Dividend payment	- 10,920	- 11,990
Realized revaluation	324	635
Miscellaneous	211	- 50
Balance at 31 December	84,545	80,062

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 2017 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 € 7,350 to the shareholders in addition to the interim dividend already paid and to add the balance of € 13,110 to the other reserves. This proposal is not yet reflected in the financial statements.

A dividend of € 10,920 was paid from the other reserves in the 2017 financial year, consisting of the proposed dividend for 2016 and the interim dividend paid for 2017.

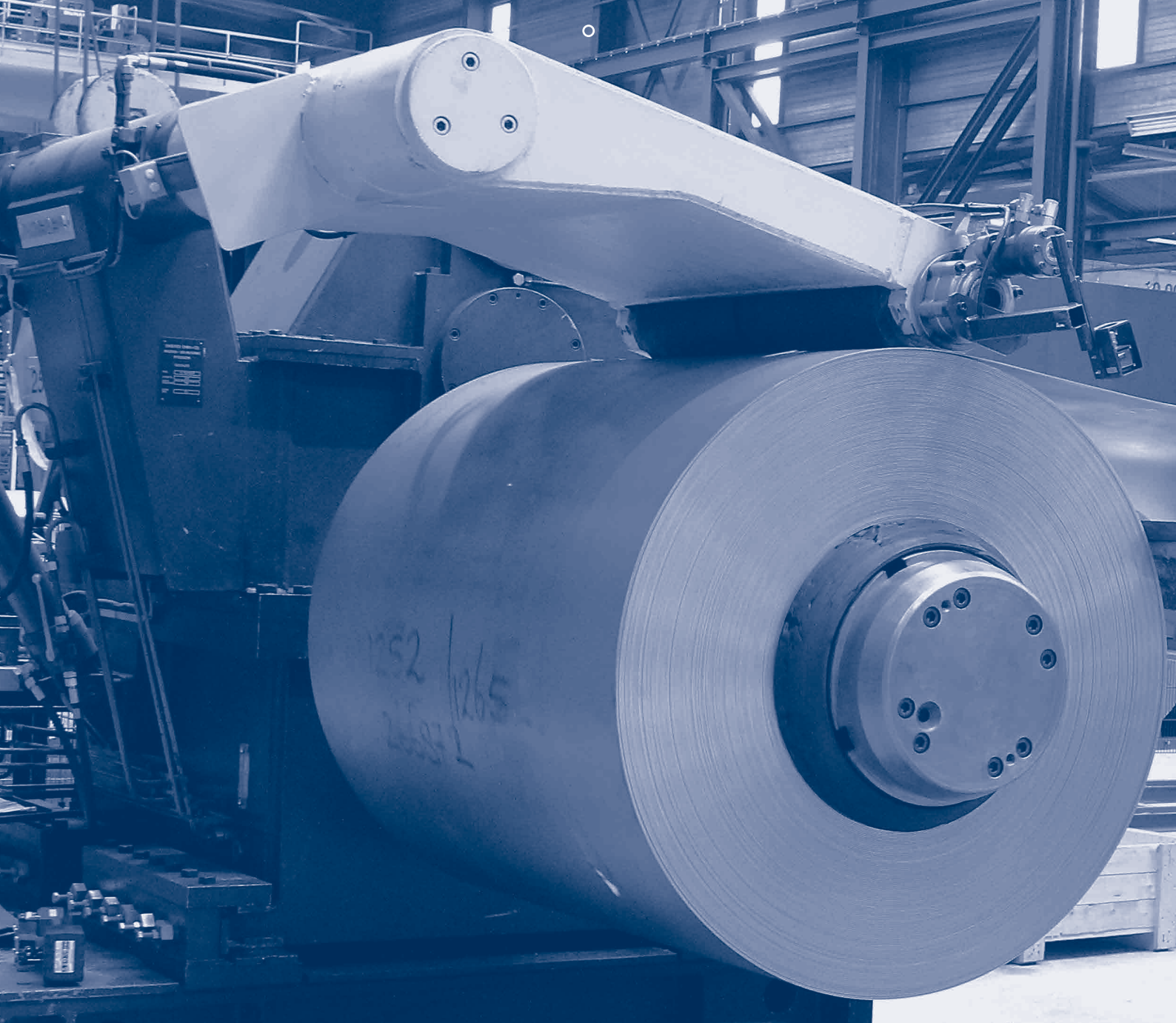
Supervisory Board

A.G. Fortanier (Chairman)
W.T.J. Das
G.M.J. van Kempen
G.L.P.M. Duijmelings

Board of Management

B. Schildkamp (Chairman)
E.J.G. van Boxtel

Valkenswaard, 28 may 2018



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 decides about the appropriation of any profit or loss remaining after this authority has been exercised.

Appropriation of net income for the 2016 financial year

The financial statements for 2016 were adopted and a resolution approving the proposed appropriation of net income was passed at the General Meeting of Shareholders held on 24 May 2017.



Post balance sheet events

In May 2018 a (re)financing package was agreed with a banking consortium for a total amount of € 140,000 on more favourable conditions than those applying to the previous financing arrangements.

Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion, the financial statements of MCB International BV give a true and fair view of the financial position of the company and the group at 31 December 2017, 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 2017 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 2017;
- the consolidated and company income statements for 2017; 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of MCB International BV as required by the Audit Firms (Supervision) Act (Wet toezicht accountantsorganisaties or Wta), 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).

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management report;
- the other information.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Title 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Title 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of these procedures is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the management report and the other information in accordance with Title 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Management and the Supervisory Board for the financial statements

The Board of Management is responsible for:

- the preparation and fair presentation of the financial statements 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Eindhoven, 28 May 2018

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 2017 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;
- 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the relevant related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

- 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.

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

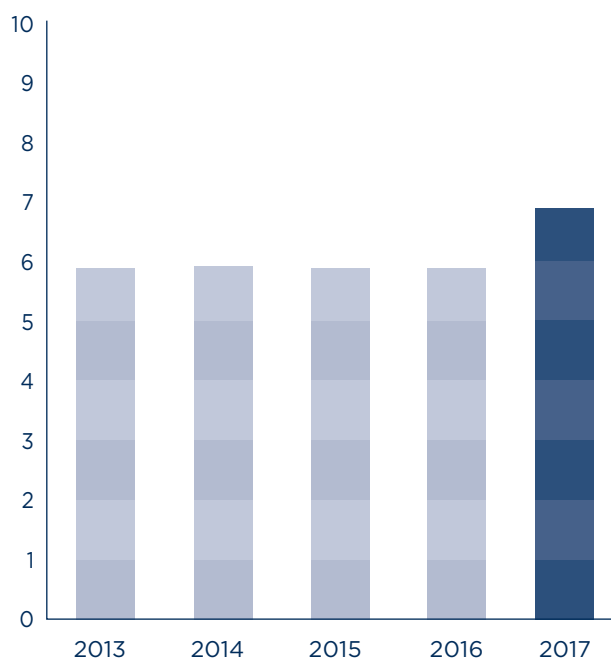
Five-year summary

Amounts in thousands of euros

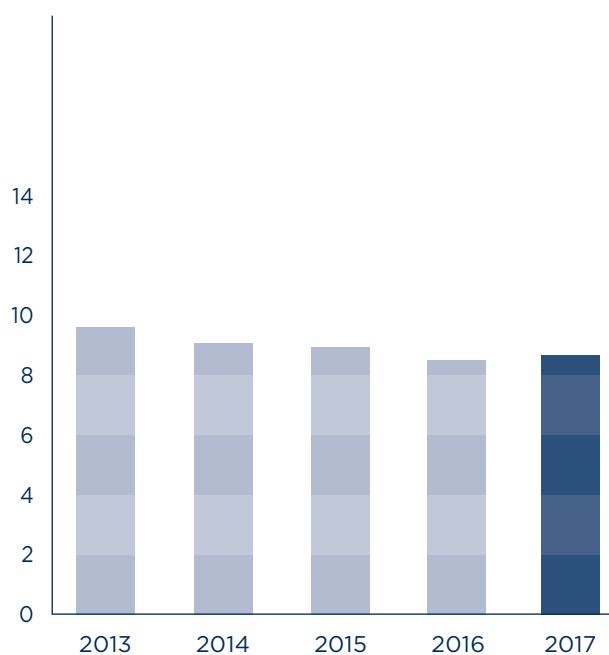
	2017	2016	2015	2014	2013
General					
Net sales	685,283	585,157	585,045	590,393	587,161
Net profit	30,977	23,975	2,333	8,229	-13,593
Net income after tax	20,460	14,938	-2,825	1,225	-14,835
Depreciation/amortization	5,875	9,532	10,518	13,589	14,613
Average number of employees	838	822	847	906	959
Sales per employee	818	712	691	652	612
Net income after tax per employee	24	18	-3	1	-15
Capital expenditure	6,835	10,539	3,107	1,939	2,135
Tangible fixed assets at year-end	66,374	70,402	71,841	89,491	111,569
Group equity ¹⁾	137,136	127,385	124,488	134,948	139,616
Total assets	299,709	259,703	269,940	301,461	336,061
Solvency ratio					
Group equity as a percentage of total assets at year-end	45.8%	49.1%	46.1%	44.8%	41.5%
Liquidity					
Current ratio	1.5	1.5	1.4	1.3	1.3
Profitability					
Net income after tax as a percentage of group equity	14.9%	11.7%	-2.3%	0.9%	-10.6%
Net income after tax as a percentage of net sales	3.0%	2.6%	-0.5%	0.2%	-2.5%

¹⁾ Before deduction of the proposed dividend distribution.

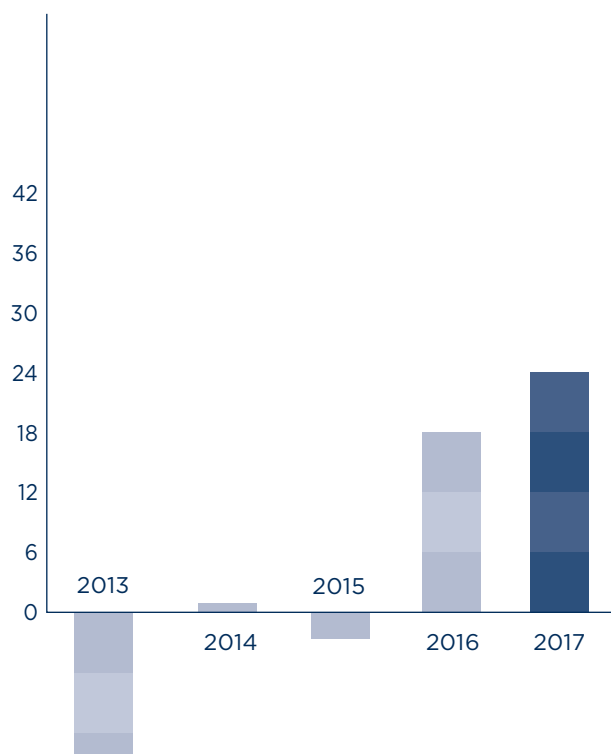
Net sales x € 100,000,000



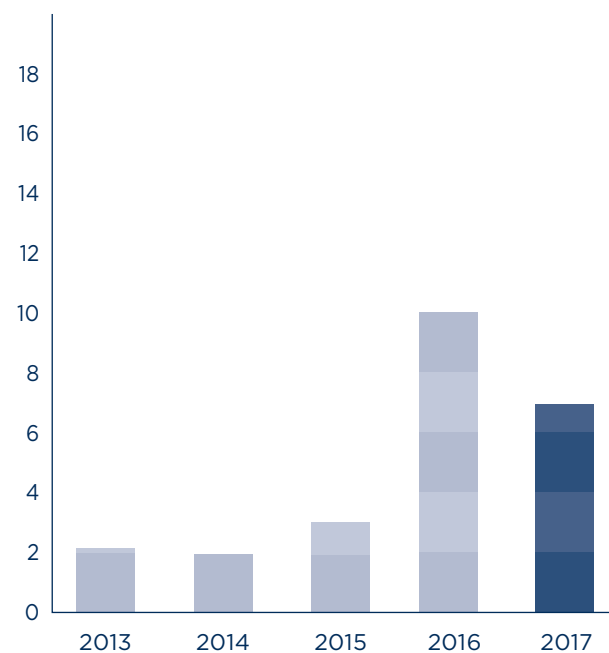
Average number of employees x 100



Net income after tax per employee x € 1,000



Capital expenditure x € 1,000,000



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