ANNUAL REPORT 2015

BAVARIA
Industries Group AG

Group Key Figures

(EUR million)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GROUP											
Profit and loss											
Group turnover	132.5	332.6	409.7	485.4	403.6	638.4	749.9	686.4	616.6	674.0	785.6
EBIT (before dissolution of negative goodwill)	-7.0	18.0	15.4	20.4	-34.2	-6.7	8.9	29.0	87.7	8.5	34.6
Group net result	8.5	31.5	5.2	23.2	3.6	-0.8	2.4	55.7	89.2	6.4	29.7
Balance sheet											
Equity	18.1	61.2	58.6	58.5	43.5	34.1	28.6	84.4	166.8	168.5	190.5
Equity ratio in % of total assets	18.1%	26.3%	21.1%	18.2%	12.7%	7.6%	8.9%	23.6%	36.8%	26.3%	29.8%
Total assets	100.0	232.4	277.4	321.7	342.1	448.5	323.3	357.3	452.9	640.6	638.3
Net. working capital	16.2	53.3	66.8	74.4	68.0	109.4	81.0	85.8	95.5	102.6	84.2
Cash flow											
from current operations	-1.6	15.5	-4.8	38.2	16.6	-22.4	15.6	41.1	11.4	35.0	31.8
from capital expenditures	2.0	-0.7	9.7	-13.2	-3.7	-33.9	-17.7	-34.8	74.6	-44.4	-14.2
from financing	0.7	9.7	-11.2	-20.3	-12.7	35.4	-3.6	-1.9	1.5	-3.0	12.4
TOP HOLDING COMPANY											
Profit and loss											
Turnover	1.0	2.0	3.1	3.7	4.5	4.9	3.8	4.1	4.1	4.2	4.7
EBIT	2.5	13.7	22.9	13.6	7.6	5.2	6.2	11.9	94.5	0.1	8.3
Net. result	2.1	13.8	23.2	13.9	8.2	5.1	6.9	11.0	94.4	0.2	8.2
Balance sheet											
Equity	4.2	28.8	45.4	37.5	26.0	21.1	25.4	34.5	124.4	120.8	121.7
Equity ratio in % of total assets	89.4%	92.6%	94.4%	93.5%	72.6%	66.1%	85.3%	88.7%	92.8%	93.4%	95.2%
Total assets	4.7	31.1	48.1	40.1	35.8	31.9	29.8	38.9	134.1	129.3	127.8
TOTAL OF OPERATING PORTFOLIO COMPANIES											
Profit and loss											
Turnover	132.5	332.6	409.7	485.4	403.6	638.4	749.9	686.4	616.6	673.8	785.0
EBIT	-14.2	11.9	5.8	2.4	-26.7	-1.9	-17.6	26.4	2.9	15.0	26.1
Net. result	-13.3	6.0	-13.4	-7.7	-36.0	-0.1	-40.6	5.1	-10.0	3.8	8.8

Content

6 Letter to the Shareholders
10 Introduction of the Organs
11 Report of the Supervisory Board
13 BAVARIA – The Share

14 Group Management Report

15 I. General Environment and Operations
15 1. Overall Economic Environment and Market
15 2. The BAVARIA Business Model
15 3. Performance of BAVARIA Industries Group AG
16 II. Shareholding Portfolio Turnaround
16 1. Serial Production / Automotive
17 2. Plant Engineering & Construction
18 3. Business Services
20 III. Assets, Finances and Earnings of the Group
21 IV. Dependency Report
22 V. Significant Events after the Reporting Date
22 VI. Risks and Opportunities of Future Developement
24 VII. Miscellaneous Information
24 VIII. General Forecast

26 Consolidated Financial Statement

27 Consolidated Profit and Loss Account for 2015
28 Consolidated Balance Sheet as of 31st December 2015
30 Consolidated Statement of Changes in Equity
31 Consolidated Statement of Cash Flows

32 Notes to the Consolidated Financial Statement

33 I. BAVARIA Industries Group AG – Company Profile
33 II. Scope of Consolidation
35 III. Reporting Date for the Consolidated Group Annual Report
35 IV. Consolidation Principles
36 V. Accounting and Valuation Methods
40 VI. Notes to the Balance Sheet
54 VII. Notes on the Profit & Loss Statement
56 VIII. Reporting by Segment
59 IX. Miscellaneous Information
62 X. Schedule of Shareholdings

65 Audit Opinion of the Statutory Auditor

66 List of Abbreviations
68 Imprint

Dear shareholders and business associates,

We did not make any new investments in 2015 and were able to sell one company only with some effort. We have learned to accept this with equanimity. Failures offer the advantage of learning something from them. You can only achieve long-term investment success by taking an honest look at your mistakes. Because they are living entities, businesses cannot really be valued. As so often in life, an uncertainty principle is at work here: the moment you try to measure something, it changes. As hard as we try, we simply cannot reach more than a 60% probability of success when we make our decisions. And we can be even more wrong when it comes to estimating future profits. Ultimately, we only want to take opportunities that offer an asymmetrical risk/reward profile. These included in particular the acquisitions for very low purchase prices. The trick is to make your own wager dependent on the chances of a win and how confident you are in our own estimate. In contrast to our beginnings, however, we now have increasing liquidity that, in light of current negative interest rates, is actually costing us money!

What did we do with it last year?

At the end of 2015, we had invested EUR 55.2 million in shares. Profits on financial assets amounted to EUR 7.5 million, of which EUR 5.9 million were not realised. Profits on active currency transactions amounted to EUR 4 million. We repurchased our own shares for EUR 7.3 million. The returns to our shareholders including dividends have therefore totalled EUR 83 million since the IPO in January 2006. We received a net amount of EUR 10 million back then; there have been no subsequent capital increases.

How successful were we really?

If we had invested all our free liquidity in the DAX index ETF, the profit would have been around EUR 10 million, and therefore, exceptionally, less than the profit of EUR 11.5 million from our investment decisions, but we only invested around half of our liquidity in shares.

What were our biggest mistakes?

Our purchase of Manitok Energy made us our biggest loss of EUR -0.9 million. At the time of the purchase, the Brent oil price was around 70 dollars; it was already 30% lower than the previous highs. The valuations reflected twice the cash flow before investments, so a gross yield of 50%. What did we do wrong? We did not consider the prospect of a lower oil price. The argument was: “It has already fallen so far and cannot fall any further” and we ignored the obligations of a fracking company to continue drilling, coupled with the existing debt. Finally, the valuation depended solely on a single external factor, the oil price, which cannot be reliably predicted and thus precludes a real value investment. Overall, we lost a total of EUR 2.6 million on our investments in various commodity stocks in 2015.

Were there any fluke successes?

One example of an unexpected financial success was our hedging of the dollar. The original idea was to maintain our international purchasing power, because our income in the Group is primarily denominated in euro. The sharp rise in the dollar earned us around EUR 4 million. We have now dissolved the hedge, as we now have more dollar risks in the Group (e.g. from our investment in BB Government Services).

What shares did we invest in?

As at 31 December, our biggest positions and their performance in 2015 were as follows:

(EUR million)	Value	Performance
Berkshire Hathaway	12.3	-0.2
Inv. AG TGV	6.2	1.4
Brederode	6.5	1.7
Euler Hermes Group	5.9	0.3
EL.EN	2.3	0.3
Sum	**33.2**	**3.5**

We explained in more detail how we value a company in our last letter to shareholders. The assessment hinges upon whether their figures can really be trusted. In particular, the following questions are raised:

Does the management admit mistakes or simply highlight successes and blame all deviations from planning on external factors (“the weather, the appreciation of the dollar, the decline in the oil price”)?

Does the management believe in its own company and buy shares, for example, or does it regularly advertise the company and use every opportunity to sell its own shares or dilute the value of the shares through capital increases or, problematically, convertible bonds, which hang over the future development of the company like a sword of Damocles?

What kind of language is used in the annual report? Does it talk, for example, of EBITDA, which is very popular because the earnings are so much higher than when talking about EBIT (which includes depreciation and amortisation) or even net earnings (after taxes)? Does it discuss, for example, a “conservative” measurement of its own investments? A glaring example is when loss-making companies acquired for nothing are included in the calculation of net asset value with many millions via the discounting of expected future profits.

How profitable are the investments really? Are the profits fictitious, because they are based on write-ups or reversals of restructuring provisions recognised on purchase? By the way, a sure indication of profitability is whether the companies actually paid tax (which nobody likes to do) and how much, which can be seen in the cash flow statement.

Is there hidden debt? For example, are sold receivables frequently not recognised as financial liabilities, even though they are financial liabilities? A comparison of trade receivables and payables allows a quick check of whether receivables have been sold: if the cost of materials is around 50% and similar payment terms have been agreed (both the case at many manufacturing companies), the ratio should be 2:1. If the receivables ratio is lower, receivables have been sold, which reduces the enterprise value.

How have our investments actually performed operationally?

Overview of the development of net earnings:

(EUR million)	2014	2015
Serial Production / Automotive	9,5	14,2
Plant Engineering & Construction	0,6	3,0
Business Services	-6,3	-8,4
Investee Companies	3,8	8,8
Others	-1,8	16,6
Consolidation	4,5	4,3
Consolidated Group	6,4	29,7

Our investments earned a total of EUR 8.8 million and therefore EUR 5.1 million more than in the prior year (EUR 3.8 million). As in previous years, the Series Production business had the biggest share at EUR 14.2 million and Plant Engineering and Construction contributed EUR 3 million to earnings, while Business Services negatively affected earnings with minus EUR 8.4 million.

How has the value of BAVARIA performed?

The book value per share (which corresponds to Group equity) has increased by 17.8% p.a. in the 10 years since the IPO in early 2006, but decreased by 2.7% last year. Financial assets are reported at cost and investments at equity; hidden reserves are not included.

There is no "true" value of our investments: only the sale allows a snapshot. We have chosen the following option for calculating directors' bonuses: We multiply the EBIT generated by the profitable firms by seven and deduct financial liabilities or add free funds. Loss-makers are recognised at zero – regardless of how rosy the future prospects appear or how much cash is in hand.

The following table summarises the development of investments and financial assets:

(EUR million)	2014	2015	%
Portfolio Companies[1]	153.9	216.3	41
Financial Assets	111.4	126.0	13
Sum	265.3	342.3	29

1 We do not recognise a negative figure because, unlike many corporations, we do not conclude profit-transfer agreements and are therefore not committed to automatic loss compensation

The value of the investments climbed by 41%, the market value of financial assets by 13%. In addition to the growth in share value (EUR 7.5 million), we had currency gains of EUR 4 million and other inflows of EUR 3.1 million.

In conclusion, it should be pointed out that in the 2015 financial year, we again made donations for social causes. Of a total of EUR 140,000, EUR 20,000 was donated to the Boxgirls International foundation and EUR 120,000 to three other foundations (Against Malaria Foundation, Deworm the World Initiative and GiveDirectly). As in the previous year, we thus followed the suggestion of givewell.org.

BAVARIA Industries Group AG is in a good position. We are therefore looking ahead at further development this year with confidence. We depend on trust and positive cooperation. We remain open to suggestions and proposals for improvement. We are grateful for pointers towards new transactions.

Kind Regards

Reimar Scholz
Chief Executive Officer

Harald Ender
Chief Operating Officer

Introduction of the Organs

Executive Board

Reimar Scholz (CEO)
Dipl.-Kfm., MBA (INSEAD, Fontainebleau)

Reimar Scholz is the CEO and founder of BAVARIA Industries Group AG. Reimar Scholz, born 1965, has worked in various senior management positions at General Electric in the United States and England. After that he was managing director of two IT companies. One of them, Articon Integralis AG, was floated on the stock market by him and turned into the European market leader for IT services as a result of additional acquisitions.

Harald Ender (COO)
Dipl.-Ing., Dipl.-Kfm.

Harald Ender, born in 1952, is the COO of BAVARIA Industries Group AG. After completing his studies at RWTH-Aachen in 1978, he has almost exclusively worked within the automotive supplier industry, serving as CEO, COO, vice-president and president in the last 28 years. During this time, Mr. Ender has built companies in Eastern Europe and restored and restructered companies at home and abroad as well. Harald Ender is active for BAVARIA Industries Group AG since 2005.

Supervisory Board

Oliver Schmidt, Dipl.-Kfm. Financial Investor, Düsseldorf
Chairman of the Supervisory Board

Hans-Peter Lindlbauer, Freelance Attorney, Munich
Vice Chairman of the Supervisory Board

Wanching Ang, Financial Investor, Gauting
Member of the Supervisory Board

Report of the Supervisory Board

In financial year 2015, the Supervisory Board duly fulfilled discharged the tasks incumbent upon it according to the law, the Articles of Association and the Rules of Procedure and monitored and advised the Management Board on the management of the Company on an ongoing basis.

The Management Board reported to the Supervisory Board on a regular basis, both verbally and in writing, promptly and comprehensively on corporate planning, strategy and the course of business, the position of the Group including the risk situation, risk management and compliance. The Chairman of the Supervisory Board also regularly discussed the current development of the business situation and major transactions with the Management Board outside meetings of the Supervisory Board.

The working relationship between the Supervisory Board and the Management Board was characterised by constructive dialogue and by mutual trust.

1. Meetings of the Supervisory Board and focal points of the discussions in the Supervisory Board

In total, five meetings of the Supervisory Board took place in the reporting period, of which three actual meetings on 15 April (balance sheet meeting), 12 June, 8 December 2015 (budget meeting) and two meetings in the form of a conference call on 8 October 2015.

If necessary, the Supervisory Board adopted resolutions by circulating the relevant documents. Resolutions submitted by the Management Board were approved after examining an extensive amount of documents and intensive discussions with the Management Board. There were no Supervisory Board committees in the reporting period. All members of the Supervisory Board participated in all the meetings.

Discussions focused on the trend in sales and earnings in the Group companies, the financial position of the Company and its investment companies, strategic projects such as acquisition projects and the planned sale of investments and the investment policy of cash, corporate planning, risk management and the risk situation as well as the settlement of sub judice disputes between executive bodies regarding the sale of a former investment.

2. Annual and consolidated financial statements, audit

The auditor Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatuungsgesellschaft, Munich, elected by the Annual Shareholder Meeting on 12 June 2015 and commissioned by the Supervisory Board has audited the annual financial statements of BAVARIA Industries Group AG for financial year 2015 submitted by the Management Board and prepared in accordance with the provisions of the German Commercial Code, the consolidated financial statements of the BAVARIA Group, the management report of BAVARIA Industries Group AG and the consolidated management report of the BAVARIA Group including the bookkeeping and has approved them without qualification. In relation to the report on related parties submitted by the Management Board, the auditor has confirmed in accordance with Section 312 of the AktG (dependent company report) that the actual disclosures in the report are correct and that the Company did not pay an inappropriate figure for the legal transactions listed in the report.

The Supervisory Board received the annual financial statements of BAVARIA Industries Group AG and the consolidated financial statements of the BAVARIA Group as well as the management reports of BAVARIA Industries Group AG and the BAVARIA Group with the auditor's report for BAVARIA Industries Group AG and the BAVARIA Group, the dependent company report and the proposal for use of the retained profit of BAVARIA Industries Group AG in good time and discussed them. The annual financial statements, management reports, dependent company report and the auditor's audit report were presented to all members of the Supervisory Board. In its balance sheet meeting for the annual financial statement on 8 April 2016 and for the consolidated financial statement on 15 April 2016, the Supervisory Board led in-depth discussions of pending questions. The auditors took part in the meeting, reported on key results of the audit and answered supplementary questions and requests for information posed by the Supervisory Board. According to the auditor's report, there were no material weaknesses in the internal control and risk management system in relation to the accounting process. Neither were there any circumstances that could lead to the inference of any bias on the part of the auditor.

Following the conclusive findings of its own audit, the Supervisory Board raised no objections to the audited annual financial statements and the dependent company report including the closing statement by the Management Board. The Supervisory Board approved the annual financial statements of BAVARIA Industries Group AG prepared by the Management Board and the consolidated financial statements of the BAVARIA Group together with the management reports of BAVARIA Industries Group AG and the BAVARIA Group. The annual financial statements are therefore adopted. Following its own audit, the Supervisory Board seconded the proposal by the Management Board to the Annual Shareholder Meeting for the use of the retained profit of BAVARIA Industries Group AG.

3. Corporate Governance

The Supervisory Board as a body consisting of three persons has opted not to create committees. The Supervisory Board has reviewed the efficiency of its work on an ongoing basis and has implemented measures to improve its work during the financial year.

Possible conflicts of interest relating to the members of the Management Board and the Supervisory Board, which must be disclosed to the Supervisory Board without delay or about which the Annual Shareholder Meeting must be informed, did not arise in the reporting year. The consulting activity of Hans-Peter Lindlbauer was each time approved by the Supervisory Board in advance with the member of the Supervisory Board in question abstaining from the vote.

4. Membership of the Management Board and Supervisory Board

The membership of the Management Board and Supervisory Board was unchanged in the reporting year.

5. Thanks

The Supervisory Board would like to express its great appreciation of and gratitude for their energetic commitment and their performance in financial year 2015 to the members of the Management Board, the employees of BAVARIA Industries Group AG and the managements of the investments and their employees.

Munich, 15 April 2016

Oliver Schmidt
Chairman of the Supervisory Board

The Share

In fiscal year 2015, 166,369 shares worth EUR 7.3 million were repurchased. The number of treasury shares amounted to 255,135 pieces of BAVARIA Industries Group AG at the balance sheet date and thus 4.5% of the share capital.

Number of shares	5,612,514 shares
Type of shares	Individual bearer shares
Authorised capital	EUR 5,612,514.00
Voting rights	Each share confers one voting right
WKN	260555
ISIN	DE0002605557
Stock exchange code	B8A
Stock exchange segment	Entry Standard
Fiscal Year	Equivalent to the calender year
Accounting presentation	As per German Commercial Code (HGB)
Designated Sponsor	ODDO SEYDLER BANK AG
Announcement	Bundesanzeiger (Federal Gazette)
Top share price in 2015 (13.04.2015)	EUR 47.64
Lowest share price in 2015 (19.01.2015)	EUR 35.21
Closing price (30.12.2015)	EUR 43.41
Market capitalisation (30.12.2015)	EUR 232.6 million
Earnings Holding per share	EUR 1.67 (for fiscal year 2015)
Dividend per share	EUR 0.00 (for fiscal year 2015)

GROUP MANAGEMENT REPORT

I. General Environment and Operations

1. Overall Economic Environment and Market

In Germany, price-adjusted GDP grew by 1.7% in 2015 compared to 2014.

At 1.1% economic growth in France was higher than in the prior year (0.2%).

In the euro zone, GDP growth was 1.5% after 0.9% in the prior year.

2. The BAVARIA Business Model

BAVARIA's business model encompasses the acquisition, restructuring, reorganisation and holding of listed and unlisted investee companies. In the course of our restructuring measures, we deploy our own team from the holding company as well as interim managers who actively support the investee company's management team.

Our acquisition criteria, which we review on an ongoing basis, are currently as follows:

- Target industries: manufacturing/processing or industrial services,
- Turnover: at least EUR 50 million,
- Mode of investment: acquisition of a majority stake, preferably 100%,
- The target company must have discernible turnaround potential.

3. Performance of BAVARIA Industries Group AG

BAVARIA Industries Group AG is the parent company of the BAVARIA Group, and is directly or indirectly involved in all of the Group's business activities. In addition to managing its own holdings, BAVARIA Industries Group AG also invests in publicly traded companies.

The Company generated net profit in 2015 of EUR 8.2 million (prior year EUR 0.2 million).

In the 2015 financial year, BAVARIA Industries Group AG derived its financing entirely from its own equity capital (as in the prior year). During the reporting year, the Company's equity capital increased from EUR 120.8 million to EUR 121.7 million as at 31 December 2015.

As of 31 December 2015, the Company had cash (excluding securities) of EUR 35.6 million (prior year EUR 41.8 million).

Dividend distributions and share repurchases by BAVARIA Industries Group AG

By resolution of the General Shareholder Meeting on 12 June 2015, no dividends were paid out for the 2014 financial year. The total number of own shares held as at 31 December 2015 was 255,135. The Company acquired 166,369 shares at an average price of EUR 44.02. The closing price at the end of the year was EUR 43.41.

II. Shareholding Portfolio Turnaround

The main operating driver of results in 2015, as in the previous year, was the Serial Production / Automotive segment, with a net profit of EUR 14.2 million. At the middle of the year 2015 tech-FORM was deconsolidated.

1. Serial Production / Automotive

In 2015, the Serial Production / Automotive segment achieved turnover of EUR 372.3 million (prior year EUR 347.1 million), roughly 47.4% (prior year 52%) of the turnover of the BAVARIA Group as a whole. Net profit increased from EUR 9.5 million to EUR 14.2 million in the same period.

Industry trends

The new registrations in Europe increased in 2015 by 9.3%, resulting back to the level of production of 2010. This also had a positive effect on the Serial Production / Automotive segment, whose turnover, as in previous years, continues to be generated mostly with automotive suppliers.

Segment turnover and result

The segment turnover increased by EUR 25.2 million.

The largest investee company, the TriStone Group, contributed a total of EUR 228.1 million to turnover in 2015.

Additional key data relevant to the segment‘s performance and details on the deconsolidations can be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation/amortisation, personnel development

The companies invested around EUR 17.1 million (prior year EUR 14 million) in 2015. This once again significantly exceeded depreciation/amortisation, which totalled EUR 10.2 million as in the prior year. All investments were carefully reviewed and appraised with a critical eye.

As at the reporting date, the segment‘s workforce comprised 3,526 persons (prior year 3,530).

Outlook for 2016 and beyond

ACEA (European Automotive Association) expects further European growth in 2016, but at a lower rate compared to 2015 of about 2%. However, the start-up of new sites will result in the Automotive segment's increasing independence from the European vehicle market. Despite the anticipated declining industry trend, we expect moderate turnover and earnings growth in 2016.

Portfolio companies

As at 31 December 2015, the Serial Production / Automotive segment comprised the following five investee companies:

Name	Products	Customers	Turnover in EUR million	Sites	Employees
TriStone	Solutions for engine cooling, turbo charging and air intake	Automotive	228.1	12	2,503
CARBODY	Sealing and safety solutions	Automotive	53.7	6	463
tech-FORM*	Pulleys, torsional-vibration dampers and components	Automotive	9.4	1	0
Austria Druckguss	Die-cast components	Automotive	31.7	1	192
vosla	Light sources	Automotive, Transport	49.3	1	368
Total			372.2	21	3,526

* Deconsolidated on 30 June 2015

2. Plant Engineering & Construction

In 2015, the Plant Engineering & Construction segment achieved turnover of EUR 104.4 million (prior year EUR 97.5 million), 13.3% (prior year 15%) of the turnover of the BAVARIA Group as a whole. Net profit for 2015 was EUR 3 million (prior year EUR 0.6 million). In the financial year 2015 there were no changes in the segment in the scope of consolidation.

Industry trends

According to VDMA, the mechanical engineering industry grew by 0.9% when adjusted for inflation. The growth weakened over the course of the year, due in particular to the China and Russia crises, and amounted to -0.3% after inflation in the final quarter.

Segment turnover and result

Positive earnings from Hering AG and BB Government Services Group contributed to segment net earnings of EUR 3 million (prior year EUR 0.6 million).

Additional key data relevant to the segment‘s performance can be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation / amortisation, personnel development

The Group's operation in Plant Engineering & Construction is not very investment-intensive. On the balance sheet, the accumulation of work in progress plays a much more important role than investments in fixed assets, which tend to be limited. Thus, investments in this segment totalled only EUR 2 million, while depreciation/amortisation amounted to EUR 1.1 million. There were primarily investments in financial assets.

The number of employees fell year on year to 397 (prior year 405).

Outlook for 2016 and beyond

In 2016 we expect an increase in sales at moderate improvement in earnings.

Portfolio companies

As at 31 December 2015, the Plant Engineering & Construction segment comprised the following three companies:

Name	Products	Customers	Turnover in EUR million	Sites	Employees
Hering	Tube bundle heat exchangers	Industry	8.3	1	80
SIDES	Fire engines and equipment	Public Sector, Industry	53.4	1	215
BB Government Services	Construction Services	NGO, States and contracting authority	42.7	2	102
Total			104.4	4	397

3. Business Services

In 2015, the Business Services segment achieved turnover of EUR 308.4 million (prior year EUR 229.3 million), 39.3% (prior year 34%) of the turnover of the BAVARIA Group as a whole. The net loss rised from EUR -6.3 million to EUR -8.4 million. In the financial year 2015 there were no essential changes in the scope of consolidation in this segment.

Industry trends

It is difficult to make a general statement about industry trends affecting the Business Services segment, due to the sector's heterogeneous composition. Basically speaking, however, the environment was marked by considerable cost pressure, which the portfolio companies were able to pass on to customers to only a limited degree, given the differing competitive situations prevailing on the procurement and sales markets.

Segment turnover and result

Additional key data relevant to the segment's performance can be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation / amortisation, personnel development

Investment in 2015 amounted to EUR 7.1 million (prior year EUR 4.4 million) and were made primarily on buying a used plant in Arti Group.

The average number of employees for the year rose slightly to 2,037 (prior year 1,926).

Outlook for 2016 and beyond

The main challenge in this segment is the profitable exploitation of declining markets and the growth by opening up of new markets, undergoing structural changes.

Portfolio companies

As at 31 December 2015, the Business Services segment comprised the following four companies:

Name	Products	Customers	Turnover in EUR million	Sites	Employees
ASTERION	Document Services	Industry, Financial Services	88.5	11*	851
Technology Luminaires**	Lights	Construction industry	10	1	0
Cobelplast NV	Packaging	Food maker	36.8	1	99
Arti Group	Printed and promotional materials	Publishing and B2B Clients	173.1	10	1,087
Total			308.4	23	2,037

* Here is the number of the recognized companies instead of locations. This would be much higher because ASTERION maintains a large number of decentralized sites at the respective customer.
** Deconsolidated on 30 November 2015

III. Assets, Finances and Earnings of the Group

Balance sheet ratios

The BAVARIA Group's balance sheet is largely unchanged compared to the prior year and amounted to EUR 638.3 million (prior year EUR 640.6 million) as at 31 December 2015.

Asset side of the balance sheet

Fixed assets amounted to EUR 188.7 million (prior year EUR 217.3 million), thus accounting for approximately 29.6% of the balance sheet total (prior year 33.9%). Of this, EUR 132.6 million (70.3%) are tangible assets (prior year EUR 151.6 million; 69.8%) and financial assets are EUR 43.1 million (prior year EUR 49 million).

Current assets – excluding liquid funds – amounted to EUR 299.3 million or 46.9% of the balance sheet total (prior year EUR 302.6 million, or 47.2%). This includes inventories of EUR 97.3 million (prior year EUR 88.1 million).

Liquid resources (excluding securities) amounted to EUR 146.5 million (prior year EUR 118 million) as at 31 December 2015.

Liability side of the balance sheet

The Group's equity capital (including variances from capital consolidation) decreased from EUR 311.5 million to EUR 294 million. As a result, the consolidated Group's economic equity ratio decreased to 46.1% (prior year 48.6%). The variances on the liability side of the balance sheet represent future revenues accruing to money-losing subsidiaries.

Provisions decreased from EUR 93.8 million in the prior year to EUR 83.9 million. Of this, pension provisions amounted to EUR 24.8 million (prior year EUR 33.3 million) as at 31 December 2015. The decrease in pension obligations is primarily attributable to ASTERION Group.

Liabilities increased from EUR 231.4 million in the previous year to EUR 252.2 million. This was due mainly to financing the turnover growth at SIDES and advance payments received on work in progress at BB Government Services.

Revenues and earnings

In the 2015 financial year, the turnover of the BAVARIA Group rised to EUR 785.6 million from EUR 674 million in the prior year. The main contributions to turnover came from the TriStone Group with EUR 228.1 million. The former investee companies (tech-FORM and Technology Luminaires) contributed to a turnover of EUR 19.4 million up to the date of deconsolidation.

The effective date of deconsolidation of an investee company is the date on which control over the company is lost due to its sale. The turnover and result of an investee company flow into the consolidated annual financial statements of the BAVARIA Group until such time as deconsolidation takes place, and are therefore recognised on a pro-rata basis only.

The 2015 annual Group surplus amounted to EUR 29.7 million (prior year EUR 6.4 million). In both reporting periods, the Group surplus was influenced by the following significant consolidation effects:

(EUR million)	2015	2014
Negative variances from capital consolidation (negative goodwill)	12.0	8.4
Income from deconsolidation	4.3	1.3
Amortisation of goodwill	-3.4	-3.1
	12.9	6.6

Please see the Notes for a comprehensive overview of positive and negative variances derived from capital consolidation and from deconsolidation.

Currency effects on the earnings situation are analysed regularly to determine any hedging requirements. Inflationary effects on the earnings situation are negligible.

Details on revenues and earnings can be found in the Notes to the Consolidated Group Annual Report.

Financial status

The Group is largely financed by equity (EUR 190.5 million; prior year EUR 168.5 million). There are also long-term bank liabilities of EUR 49.4 million (prior year EUR 31.6 million). As of 31 December 2015, the Group had liquid resources of EUR 146.5 million (prior year EUR 118 million).

Financing was primarily obtained using financial instruments secured by fixed assets (usually factoring or leasing).

For detailed explanations of the cash flow statement and financial status of the BAVARIA Group, please see the Notes to the Consolidated Group Annual Report.

IV. Dependency Report

BAVARIA Industries Group AG is majority-owned by AS Beteiligungen und Vermögensverwaltungs GmbH. We have therefore prepared a "Report on Relationships with Affiliated Companies", as required under § 312 of the German Stock Corporation Act (AktG). This report concludes with the following affidavit: "In summary we hereby declare that, to the best of our knowledge at the time at which the legal transactions were undertaken, BAVARIA Industries Group AG and its subsidiaries received adequate (arm's-length) consideration in return for each legal transaction".

V. Significant Events after the Reporting Date

On March 2016 Austria Druckguss has been sold. Closing is subject to approval by the antitrust authorities.

VI. Risks and Opportunities of Future Development

The future business performance of the BAVARIA Group is subject to risks and opportunities closely associated with the Group's business model. The BAVARIA Group's risk management is geared towards minimising risks while evaluating potential earnings and the risks they entail. As a rule, we do not conclude profit-transfer agreements and we grant few sureties or guarantees in favour of our subsidiaries. Thus, any losses or write-downs by individual subsidiaries do not generally have a negative financial impact at the level of the holding company. In order to promptly anticipate a potential crisis at any of its investee companies, BAVARIA collects and analyses a wide range of key data from its subsidiaries on a monthly basis.

Risks and opportunities of company acquisitions

When it comes to identifying and acquiring turnaround companies, BAVARIA's specialised acquisition team can draw on many years of experience as well as an extensive support network. Thus, BAVARIA is optimally positioned to exploit a wealth of entrepreneurial opportunities. Admittedly, the attractiveness of investing in "companies with turnaround potential" makes this a highly competitive market sector. However, BAVARIA's credibility as an experienced and successful restructuring expert gives us a competitive edge over our rivals, many of whom are less versed in the legalities and other technical ins and outs of this niche business.

Risks and opportunities of restructuring distressed companies

In isolated cases, BAVARIA may acquire a stake in a company whose restructuring proves to be more challenging than originally assumed. In such a case, we cannot rule out the possibility that the acquired company may ultimately become insolvent, due to its difficult initial situation and/or a quick acquisition decision by BAVARIA. If restructuring proves to be unsuccessful, there is always the risk that the capital and effort invested – particularly the purchase price paid and any residual claims – may be lost.

Fluctuations in price and volumes on capital and commodity markets can also have a negative impact on the assets, finances and earnings of the various BAVARIA Group companies. BAVARIA counters such risks on a case-by-case basis by continually monitoring a number of indicators so that early action can be taken. Moreover, the BAVARIA Executive Board maintains close contact with the managers of each investee company, receives a monthly report from each company and, in many cases, is represented on the company's Supervisory Board and/or advisory committee. Nonetheless, this does not exclude the possibility that its management information system may fail to deliver required information, fail to deliver it in time, or deliver erroneous information, and that this will cause the wrong decisions to be taken.

Although the shareholdings of the BAVARIA Group run a wide gamut of industries, thus ensuring risk diversification, unfavourable business cycles can exert a negative impact on the assets, finances and earnings of the Group.

Default risk at the level of BAVARIA Industries Group AG

One of the cornerstones of BAVARIA's investment strategy is to limit the risk of loss as far as possible by means of contractual provisions and safeguards. For instance, the Group generally refrains from concluding internal profit-transfer agreements. As in the past, the Executive Board of BAVARIA will also avoid assuming contingent liabilities towards subsidiaries, only in exceptional cases and even then only to a very limited extent. The main risk faced by BAVARIA involves quantifying the time and expense required to rehabilitate a given investee company. Insofar as this estimate is inaccurate, there is the corollary risk that the investee company may become insolvent. This risk is monitored on an ongoing basis.

Personnel risk

The successful acquisition, rehabilitation and resale of companies require a great deal of technical expertise and managerial experience. To implement its business model, BAVARIA must ensure that it has sufficiently qualified personnel at its disposal. Due to our proven track record, we generally receive a surfeit of applications from highly qualified candidates for advertised job vacancies. BAVARIA is an attractive employer thanks to its careful and selective personnel recruiting process, the substantial independence that it grants its on-site restructuring managers, and its competitive, performance-based compensation package. That only the most competent managers are deployed is one of the key success factors of BAVARIA's business model.

Other personnel risks at the level of BAVARIA Industries Group AG are those associated with dependence on individual managers. BAVARIA Industries Group AG is constantly expanding its management team to offset these risks.

Financing, interest rate and currency risks

BAVARIA's management considers that the future performance of the Group depends to a substantial extent on risks associated with currencies, interest rates and financing, since these can exert a significant influence on the Group's assets, finances and earnings.

The companies of the BAVARIA Group are becoming increasingly active outside the Eurozone in terms of both distribution and sourcing. Thus, currency-exchange risks are to be classified as significant. The companies of the BAVARIA Group counter this risk on a case-by-case basis by means of hedging via appropriate futures/option contracts.

Given the continued reluctance of credit institutions to lend, refinancing may prove difficult for individual investee companies. The risks of interest-rate hikes or delayed credit flows can therefore have significant effects on the financial position of a given investee company, thus also indirectly impacting BAVARIA Industries Group AG. Rising interest rates increase an investee company's financing costs, which can in turn have a negative effect on its restructuring, ability to pay dividends and resale potential.

Details on currency hedges can be found in the Notes to the Consolidated Group Annual Report.

Tax related risks

We continually monitor the tax related risks that the BAVARIA business model gives rise to. Due to the fact that income from shareholdings held by capital investment companies is generally tax-exempt, BAVARIA has a low tax rate. The foregoing is based on the assumption that § 8b of the German Corporate Tax Act (KStG) is applicable to BAVARIA.

Risks from investments

The Company is exposed to current capital market risks through its investments in publicly traded companies. The market value and valuation of publicly traded companies can be very volatile and fluctuate due to a variety of influencing factors outside of the Company's control. A recession or an economic downturn could adversely affect the value of the Company's investment.

Risk management system

The BAVARIA Executive Board has instituted an early-warning system to identify developments that may endanger the existence of the Company. A corresponding risk report is updated once every six months. Subsidiaries report on risks as part of monthly reporting.

VII. Miscellaneous Information

BAVARIA Industries Group AG is suing one current and one former member of the Executive Board for damages. Legal proceedings were initiated by our supervisory board.

The purchase price negotiations for the acquisition of a group of companies in 2015 are not yet finalized and there can be made from these still arrears.

VIII. General Forecast

Macroeconomic outlook

The IMF predicts growth of 1.7% (prior year 1.5%) in 2016 in its forecast for the German economy. For the French economy, the IMF calculates a growth of 1.3% (prior year 1.1%).

For the global economy, the IMF forecasts growth of 3.4% in 2016. The economy in the Eurozone is expected to expend by up to 1.7%, also a growth of 1.7% is forecast for 2017.

BAVARIA Industries Group AG

The future success of BAVARIA Industries Group AG is not only dependent on the performance of its existing portfolio of companies, but is also strongly influenced by its company acquisitions and sales. On the strength of its present portfolio, BAVARIA Industries Group AG was able to begin the year 2016 on a positive note. For a discussion of the outlook for individual portfolio segments, please see the "Shareholding portfolio" section of this report.

We expect demand to pick up slightly in 2016 compared with last year, driven by a further recovery in the euro area. Thus, our focus will continue to be on the efficient handling and execution of customer orders. At the same time, we see opportunities to gain additional market share, for example by developing new customer segments. Nonetheless, all investment decisions are reviewed very carefully and approved only if they promise benefits in the foreseeable future.

Although our industry is becoming more and more competitive, new acquisitions are likely to continue to be an important source of BAVARIA's growth, especially in the German-speaking parts of Europe, owing

to BAVARIA's reputation and its track record of successfully restructured companies. Thus, we will continue to strive for new acquisitions in 2016 and beyond, insofar as we can find companies that are realistically valued. In selecting our acquisition targets, we will tend to favour high quality and a relatively large size. Besides focusing on our traditional core business of taking over companies with potential for improvement (EBIT margin below 3%), we also intend to grow by ramping up our expansion of existing investee companies by means of "add-on" acquisitions. Western Europe remains an important and attractive growth market for BAVARIA.

We have won the acceptance and cooperation of unions and works councils even when it comes to difficult issues of personnel cutbacks. This, along with stock exchange listing, will allow us to take advantage of increased buying opportunities in the future.

As we see it, BAVARIA continues to be in a position to maintain its existing portfolio of investee companies over the medium to long term.

Given these background conditions, it is impossible to make a definite forecast of the BAVARIA Group's future turnover and earnings. On the strength of our existing portfolio, the Executive Board expects this year and the coming years to be successful ones for BAVARIA Industries Group AG, in terms of both earnings and equity capital growth. All the prerequisites for this are in place.

Munich, 15 April 2016

Reimar Scholz	Harald Ender
Chief Executive Officer	Chief Operating Officer

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Profit and Loss Account for 2015

(EUR)			31.12.2015		31.12.2014
1.	Sales	785,585,907		674,025,355	
2.	Increase or reduction of inventories in finished and non-finished products	10,924,164		-11,887,488	
3.	Other own work capitalised	288,871		442,832	
			796,798,942		662,580,699
4.	Other operating income		48,659,086		23,245,066
5.	Cost of materials				
	a) Raw materials, supplies and merchandise for resale	-313,100,618		-276,951,609	
	b) Purchased services	-91,876,504		-50,648,424	
			-404,977,122		-327,600,032
6.	Personnel costs				
	a) Wages and salaries	-177,962,494		-152,089,404	
	b) Social insurance and other social charges and benefits	-52,679,401		-47.288.199	
			-230,641,895		-199,377,603
7.	Depreciation		-22,842,447		-21,120,365
	a) on intangible and tangible fixed assets	-19,410,219		-18,014,558	
	b) on group level	-3,432,228		-3,105,807	
8.	Other operating expenses		-140,424,956		-120,765,691
9.	Income from long-term securities		1,575,017		961,088
10.	Other interest and similar income		1,483,544		1,363,974
11.	Depreciation on marketable securities		-930,964		-165,435
12.	Interest and similar expenses		-8,289,877		-4,870,640
13.	**Profit on ordinary operations**		**40,409,328**		**14,251,061**
14.	Extraordinary income	468,343		38,227	
15.	Extraordinary expenses	-2,073,901		-340,868	
16.	Extraordinary result		-1,605,558		-302,642
17.	Other taxes	-7,328,639		-4,402,475	
18.	Total taxes	-1,741,807		-3,114,097	
19.	Net income		-9,070,447		-7,516,572
20.	**Net income**		**29,733,323**		**6,431,848**
21.	Net profit from prior year		156,012,921		153,443,504
22.	Income from open dismissal of the principal amount of own shares		0		88,766
23.	Expenses from elimination of open dismissal of the principal amount		0		-350,049
24.	Appropriation to the reserve restricted in relation to treasury stock		0		-88,766
25.	Resolution of the reserve for own shares		0		350,049
26.	Adjustment in capital reserves under §237 paragraph 5 AktG		0		-350,049
27.	Income from capital reduction		0		350,049
28.	Purchases of treasury stock		-7,326,186		-3.803,731
29.	Profit relating to other shareholders		-186,556		-58,700
30.	**Consolidated profit**		**178,233,502**		**156,012,921**

Consolidated Balance Sheet as of 31st of December 2015

Assets (EUR)		31.12.2015		31.12.2014
A. FIXED ASSETS				
I. Intangible fixed assets				
1. Patents, trademarks, licenses and similar rights	3,389,649		4,029,452	
2. Goodwill	9,541,295		12,738,726	
3. Advance payments	70,436		21,631	
		13,001,379		16,789,808
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	71,218,120		83,249,840	
2. Machinery and equipment	49,807,538		51,836,003	
3. Other equipment, plant and office equipment	6,077,150		7,054,576	
4. Advance payments and construction-in-progress	5,542,179		9,412,953	
		132,644,988		151,553,372
III. Financial fixed assets				
1. Shareholding in affiliated companies	11		11	
2. Investments	61,179		27,943	
3. Long-term securities	42,803,536		48,912,825	
4. Other loans	193,688		48,851	
		43,058,414		48,989,630
		188,704,781		217,332,810
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and supplies	27,657,110		35,491,592	
2. Work-in-progress	56,667,267		38,640,525	
3. Finished products and merchandise	11,128,716		12,666,655	
4. Advanced payments	1,891,739		1,254,346	
		97,344,833		88,053,118
II. Account receivables and other assets				
1. Receivables from trade	155,327,889		163,875,966	
2. Receivables from affiliated companies	233,754		0	
3. Other assets	33,977,763		50,517,994	
		189,539,407		214,393,960
III. Marketable securities				
1. Other marketable securities	12,399,228		108,223	
		12,399,228		108,223
IV. Cash, cash equivalents and schecks		146,467,412		118,027,945
		445.750.879		420,583,246
C. PREPAID EXPENSES		3,829,708		2,636,426
D. ACTIVE DIFFERENCES FROM ASSET ALLOCATION		0		80,256
TOTAL		638,285,368		640,632,738

Equity and Liabilities (EUR)		31.12.2015		31.12.2014
A. EQUITY				
I. Issued capital		5,357,379		5,523,748
1. Subscribed capital	5,612,514		5,612,514	
2. Nominal value of treasury stock	-255,135		-88,766	
II. Capital reserve		9,387,486		9,387,486
III. Revenue reserves		260,635		94,266
1. Legal reserve	5,500		5,500	
2. Reserve for treasury stock	255,135		88,766	
IV. Consolidated profit		178,233,502		156,012,921
V. Offsetting item for holdings of other shareholders		845,546		700,646
VI. Difference from currency translation		-3,608,040		-3,245,920
		190,476,507		168,473,147
B. SPECIAL RESERVE		1,579,471		624,713
C. DIFFERENCE FROM CONSOLIDATION OF CAPITAL		103,522,075		143,048,085
D. ACCRUALS				
1. Accruals for pensions and similar commitments	24,760,381		33,288,154	
2. Tax reserve	6,088,808		4,356,618	
3. Other accurals	53,026,888		56,204,282	
		83,876,077		93,849,054
E. LIABILITIES				
1. Liabilities to banks	49,440,049		31,599,036	
2. Advanced payments received on orders	30,629,327		16,788,430	
3. Trade payables	121,157,227		123,964,082	
4. Liabilities to affiliated companies	35,999		61,279	
5. Other liabilities	50,903,809		59,023,797	
		252,166,412		231,436,625
F. DEFERRED INCOME		6,370,976		1,857,288
G. DEFERRED TAXES		293,849		1,343,825
TOTAL		638.285.368		640.632.738

Consolidated Statement of Changes in Equity

(EUR thousands)	Share numbers in circulation	Subscribed capital	Capital reserve	Earned surplus	Difference from currency translation	Offsetting item for holdings of other shareholders	Consolidated profit	Group equity
31 December 2013	**5,962,563**	**5,628**	**9,037**	**340**	**-2,771**	**1,114**	**153,444**	**166,792**
Net income 2014							6,432	6,432
Income from open setting of the principal amount treasury shares							89	89
Expenses from loss of open settling of the nominal value of treasury shares	-350,049						-350	-350
Appropriation to the reserve restricted in relation to treasury stock				105			-89	16
Reversal of the reserve for own shares				-350			350	0
Transfer to capital reserve according to § 237 para 5 AktG			350				-350	0
Income from capital reduction							350	350
Purchases of treasury stock		-105					-3,804	-3,909
Foreign currency differences					-475			-475
Shares of other partners						-413	-59	-472
31 December 2014	**5,612,514**	**5,523**	**9,387**	**95**	**-3,246**	**701**	**156,013**	**168,473**
Net income 2015							29,733	29,733
Income from open setting of the principal amount treasury shares								0
Expenses from loss of open settling of the nominal value of treasury shares								0
Appropriation to the reserve restricted in relation to treasury stock				166				166
Reversal of the reserve for own shares								0
Transfer to capital reserve according to § 237 para 5 AktG								0
Income from capital reduction								0
Purchases of treasury stock		-166					-7,326	-7,492
Foreign currency differences					-362			-362
Shares of other partners						145	-187	-42
31 December 2015	**5,612,514**	**5,357**	**9,387**	**261**	**-3,608**	**846**	**178,233**	**190,476**

Consolidated Statement of Cash Flows

(EUR thousands)	2015	2014
Consolidated net income ahead of extraordinary items	31,339	6,734
Earnings proportions of minority shareholders without-payment effective holdings	145	51
Depreciation on fixed asset items	22,906	21,285
Gains and losses of sales on fixed asset items	-1,271	-1,127
Write-ups on fixed assets	0	-1,145
Changes in accruals	-4,342	2,571
Dissolution of differences from the capital consolidation	-18,423	-8,434
Gains and losses from the final consolidation of group companies	-3,626	1,414
Other payment-ineffective changes	-503	162
Gross cash flow	**26,225**	**21,511**
Change in inventories	-16,732	17,985
Change in receivables, other assets and the rest of the assets	3,072	10,902
Changes in liabilities and the rest of total equities and liabilities	19,199	-15,349
Cash flow from current operations	**31,764**	**35,049**
Payments for capital expenditure into the intangible and tangible fixed assets	-24,185	-19,008
Currency differences in fixed assets	-583	-35
Payments from disposals of items of intangible and tangible fixed assets	2,750	3,715
Payments from disposals of items of financial assets	30,559	19,307
Payments for acquisition of group companies	0	1,868
Payments for capital expenditure into the financial assets	-27,408	-50,218
Net funds addition from change in scope of consolidation	4,650	0
Cash flow from investment activities	**-14,217**	**-44,371**
Payments for the purchase of own shares	-7,326	-3,804
Proceeds from borrowing of financial liabilities	19,754	815
Payouts for the financial liabilities	0	0
Cash flow from financing activities	**12,428**	**-2,989**
Payment-effective change of cash and cash equivalents	29,975	-12,311
Net funds addition from change in scope of consolidation	-1,282	-1,287
Currency differences	-362	-721
Cash and cash equivalents at start of the period	118,136	132,455
Cash and cash equivalents as of 31 December	**146,467**	**118,136**
Composition of cash and cash equivalents	**31.12.2015**	**31.12.2014**
Cash-in-hand, balances with banks	146,467	118,028
Short-term marketable securities	0	108
	146,467	**118,136**

NOTES
TO THE CONSOLIDATED
FINANCIAL STATEMENT

I. BAVARIA Industries Group AG ("BAVARIA") Company Profile

BAVARIA Industriekapital AG was established on 3 April 2002. (We started our activities in January 2003 by purchasing this company). The Company has its legal domicile in Munich, Germany, and has been registered in the commercial register of the Munich District Court since 8 August 2002 (Section B: No. 143858). The initial public offering of the Company's shares (ISIN DE0002605557) was made on 26 January 2006 in the Entry Standard (Open Market) segment of the Frankfurt Stock Exchange.

On 7 June 2013 the Annual General Meeting approved a motion to rename BAVARIA Industriekapital AG as BAVARIA Industries Group AG. The new name was registered in the Munich Commercial Register on 13 June 2013 under HRB 143858.

BAVARIA is an industrial holding company that acquires underperforming companies and boosts their performance through active management. BAVARIA pursues three objectives: cutting costs, developing new sources of turnover and protecting jobs wherever possible. It relies on the initiative of the investee company's workforce to boost innovation and avoid all forms of waste, such as reject rates or unnecessary down time during production. Only companies that are profitable over the long term offer secure workplaces. To boost performance, BAVARIA works with its in-house team of specialists, who are on hand to support the investee company's management.

II. Scope of Consolidation

Besides BAVARIA as the parent company, the consolidated annual financial statements include those affiliates in which BAVARIA directly or indirectly holds a majority of the voting rights and/or over which it otherwise exercises control, unless special exclusion criteria apply.

The companies included in BAVARIA's Consolidated Group Annual Report are listed separately in the "Schedule of Shareholdings" in the Notes.

The following companies were not included in the consolidation, by exercising the option in accordance with § 296 Paragraph 2 HGB:

- OSNY Pharma Holding S.A.S., Osny, France,
- Fonderie Aluminium de Cléon S.A.S., Cléon, France,
- Inasa Foil GmbH, Munich, Germany,
- vosLED GmbH, Plauen, Germany.

The following companies were not included in the consolidated annual financial statements in accordance with § 296 Paragraph 1 No. 1 HGB because they are too insignificant, are in liquidation or have filed for insolvency:

- Elfotec AG, Mönchaltdorf, Switzerland (in liquidation),
- Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain,
- INASA Foil S.A., Irurtzun (near Pamplona), Spain.

Since insolvency proceedings were opened for the assets of INASA Foil S.A., BAVARIA has also been restricted in exercising its rights in relation to the assets of Inasa Foil GmbH (prev. baikap Holding 080309 GmbH), Munich.

The company BB Government Services S.r.l., Vicenza, Italy was consolidated for the first time in the reporting year.

The company was fully consolidated in accordance with the revaluation method from the time of initial consolidation.

BAVARIA's scope of consolidation is subject to continual change, so that a comparison of its consolidated group annual reports over time is only possible to a limited extent. In particular, due to the differing business activities of the various investee companies included, the interrelationships among the individual items of BAVARIA's Consolidated Group Balance Sheet and Profit & Loss Statement are marked by continual fluctuations. The changes in the scope of consolidation since the consolidated annual financial statements as at 31 December 2014 are as follows:

- On 30 January 2015 Portalex Aluminio S.A. was sold and deconsolidated.
- On 30 November 2015 Technology Luminaires S.A.S. was sold and deconsolidated.
- On 31 December 2015 tech-FORM S.A.S. was deconsolidated. A continuation of the company was because of the no longer contributed sales due to the quality problems, no longer possible. Therefore the company went bankrupt.

The key data for the deconsolidations are shown below:

(EUR thousands)	tech-FORM* S.A.S.	TechLum** S.A.S.	Portalex*** S.A.
Fixed Assets	4,428	1,151	5,416
Working capital	6,025	3,544	7,090
- thereof liquid funds	179	660	443
Others	169	69	25
	10,622	**4,764**	**12,531**
Equity	2,124	-94	8,627
Accurals	2,896	1,975	729
Liabilities	5,602	2,755	3,175
- thereof to banks	1,402	404	107
Others	0	128	0
	10,622	**4,764**	**12,531**
Sales 2015	9,443	9,968	0
Result 2015	-887	-910	0

* Interim financial statements on 30 June 2015 ** Interim financial statements on 30 November 2015 *** Financial statements on 31 December 2014

Accounting figures refer to values applicable on the date of the exclusion. Figures from profit and loss accounts for deconsolidated companies apply to the period between 1 January 2015 to the point of deconsolidation.

III. Reporting Date for the Consolidated Group Annual Report

The key reporting date for the consolidated annual financial statements is that of the parent Company, BAVARIA Industries Group AG (31 December 2015).

The financial year of each operating subsidiary is that of the parent Company. The consolidated annual financial statements take into account all facts with a financial impact on the subsidiaries insofar as they have occurred up to the key reporting date.

IV. Consolidation Principles

Principles of financial reporting

The annual financial statements of BAVARIA Industries Group AG as at 31 December 2015 were prepared in compliance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The annual reports of the individual subsidiaries were prepared pursuant to the guidelines of §§ 238 et seq. HGB, and specifically comply with the stipulations for incorporated companies set forth under §§ 264 et seq. HGB, as well as with the provisions of the German Stock Corporation Act.

These consolidated annual financial statements were prepared pursuant to §§ 290 et seq. HGB.

Some of the items whose disclosure on the Balance Sheet and/or Profit & Loss Statement are required by law have been presented in summary form. The respective itemisations and explanations can be found in the Notes.

Owing to changes in the scope of consolidation, comparison with the previous year's figures is possible only to a limited extent.

The Group Profit & Loss Statement was prepared using the total cost method.

Consolidation methods

Method of capital consolidation

For acquisitions up to 31 December 2009:

§ 301, Paragraph 1, Sentence 2, No. 1 HGB, former version, provides for alternative methods of capital consolidation for the purposes of financial reporting insofar as a given acquisition was carried out up to and including 31 December 2009. Accordingly, the Company opted to use the book value method, and thus recorded its shareholdings in the various consolidated companies at acquisition value (as per § 301, Paragraph 2 HGB).

For acquisitions on or after 1 January 2010:

Capital consolidation is performed using the revaluation method (§ 301, Paragraph 1 HGB), namely in such a way that the financial consideration paid to acquire a company (acquisition costs) is offset against its acquired, identified assets and assumed debts, accruals/deferrals and extraordinary items.

Each of these items is stated at its value at the time of acquisition.

Resulting debit variances that could not be otherwise allocated were capitalised on the Group Balance Sheet and amortised over a useful life of five years.

Credit variances are recognised as liabilities in accordance with § 309 Paragraph 2 HGB and are reversed in income if applicable. Credit variances resulting from capital consolidation are stated separately on the Group Balance Sheet between equity capital and external capital (debt) in accordance with their specific character.

Other consolidation procedures

The following subsidiary-specific items were eliminated in the course of consolidation: receivables, liabilities, turnover, other expenses, other revenues, interest income and associated expenses, as well as interim Group results. All significant consolidation procedures with an effect on income are subjected to tax accrual and/or deferral, insofar as the variance in taxes payable is expected to be offset in subsequent financial years.

V. Accounting and Valuation Methods

As in the previous year, the consolidated annual financial statements were prepared in accordance with the accounting and valuation principles set forth below:

As a rule, valuations were made under the assumption that investee company operations would be continued (going concern principle) pursuant to § 252 Paragraph 1 No. 2 HGB.

Intangible assets that have been purchased against payment are capitalised at acquisition costs minus scheduled amortisation on a straight-line basis. As a rule, their useful life is assumed to be three to five years. Company goodwill purchased against consideration is calculated by netting out acquisition costs against the value of individual company assets, minus the debts at the time they are assumed. As of 1 January 2010, company goodwill is generally subject to regular amortisation over five years (previous 10 years).

Tangible assets are capitalised at acquisition cost and are depreciated on a straight-line basis over their useful life. Economic assets with a net worth of up to EUR 150.00 are fully depreciated in the year of acquisition.

Financial assets are valued at acquisition cost. At their lower fair market valueis amortized in permanent impairment. Reversals of impairment losses pursuant to the value recovery principle are performed up to amortised cost, insofar as the reasons for a long-term value impairment no longer apply.

Inventories are valued at acquisition/manufacturing cost or at their fair market value (if lower), while allowing for reasonable general administrative costs.

Receivables and other assets are reported at face value minus a one-off allowance for general default risk. Doubtful receivables are subject to depreciation on an individual basis. Receivables denominated in foreign currencies are generally valued using the mean spot exchange rate as at the reporting date, insofar as the remaining maturity is shorter than 12 months.

If the remaining maturity is longer than 12 months, valuation is performed at acquisition cost, minus any unscheduled depreciation, if applicable.

Securities are valued at acquisition cost or at their fair market value, if lower.

Liquid assets are reported at face value. Amounts denominated in foreign currencies are valued at the mean spot exchange rate as at the reporting date.

Pension provisions have been formed on the basis of contractually binding pension claims. The future amounts needed to cover benefit obligations arising from pension guarantees were valued using biometric probabilities on the basis of the net present value of future pension entitlements (projected unit credit method). Expected increases in wages/salaries and pension benefits were taken into account in the calculation of the net present value of vested future pension benefits.

The actuarial valuation of future pension obligations is based on a discount rate of 4.31% depending on the remaining terms of the individual obligations. Insofar as it was not possible to assume a specific remaining term, the interest rate used was the one published by the German Bundesbank for remaining terms of 15 years (pursuant to § 253 Paragraph 2 Sentence 2 HGB) in 10-year average. An interest rate of 0%-5% per annum was used to reflect future wage/salary increases. The mortality statistics applied were derived from the actuarial tables published by Dr Klaus Heubeck (2005G) or, in the case of foreign subsidiaries, the mortality tables provided by the statistical offices of the countries in question.

Tax provisions and other provisions are formed to reflect the full amount of future payments due in accordance with customary professional due diligence, while taking into account all identifiable risks and uncertain obligations. Other provisions are formed in order to include appropriate and adequate individual allowances to cover all identifiable risks from uncertain obligations and potential losses from pending transactions, while also allowing for any foreseeable price/cost increases. Significant provisions with a remaining term of more than one year are discounted with an interest based on the term-appropriate, average market interest rate (based on the past seven financial years), as calculated and published by the German Bundesbank. Tax provisions are calculated under the assumption that § 8b of the German Corporate Tax Act (KStG) is applicable to BAVARIA Industries Group AG.

Liabilities are reported at their repayment amount as at the reporting date. Liabilities denominated in foreign currencies and having a remaining term of less than one year are generally valued using the mean spot exchange rate as at the reporting date. If they have a remaining term of more than one year, this applies only insofar as the conversion results in a higher amount.

The application of commercial law on the one hand and tax law on the other may give rise to differing valuations for assets, debts and accruals/deferrals, as well as for carry forwards of losses and/or interest that are eligible for consideration. Any such differences in valuation are reported as a **deferred tax** liability, insofar as they give rise to a foreseeable net tax liability in future financial years. Differences that give rise to net tax savings are not reported as deferred tax assets pursuant to § 274 Paragraph 1 Sentence 2 HGB.

Currency conversions

Financial assets, receivables, other assets, securities, liquid assets, provisions, financial obligations and other liabilities as well as guarantees and other commitments denominated in foreign currency are generally valued using the mean spot exchange rate on the reporting date. The values of fixed assets and inventories acquired with foreign currency are generally stated using the mean spot exchange rate as at the transaction date.

The functional currency used by BAVARIA Industries Group AG as the Group parent is the Euro (EUR).

Insofar as the annual reports of individual subsidiaries are denominated in foreign currencies, all amounts are restated using the modified closing rate method.

All balance sheet items of the foreign companies included in the consolidated Group were converted into EUR using the mean spot exchange rate on the reporting date, with the exception of equity capital (subscribed capital, reserves, profit/loss carried forward), which was restated using historical exchange rates. Variances in equity capital due to currency conversions (i.e. because of year-by-year fluctuations in exchange rates) were posted under “equity capital variances from currency conversions”, with no effect on income.

Revenues and expenses were restated using the average annual exchange rate. The annual result from the restated Profit & Loss Statement was transferred to the balance sheet and the variance was posted under “equity capital variances from currency conversions” without affecting income.

Cash flow statement

The financial resources fund consists of cash balances and bank balances.

VI. Notes to the Balance Sheet

Schedule of Fixed Assets

The development of fixed assets is shown below:

	Acquisition and manufacturing costs						
(EUR thousands)	01.01.2015	Additions	Disposals	Reclassifications	Currency translations	Changes in scope of consolidation	31.12.2015
I. Intangible assets							
1. Patents, trademarks, licenses & similar rights	8,619	1,568	73	186	-1	-1,202	9,097
2. Goodwill	20,878	235	0	0	0	0	21,113
3. Prepayments on account	22	62	0	-13	0	0	71
	29,519	**1,865**	**73**	**173**	**-1**	**-1,202**	**30,281**
II. Fixed assets							
1. Land and buildings	95,187	3,707	11,536	3,053	-379	-3,714	86,318
2. Technical plant and machinery	79,709	8,030	17,383	8,199	-274	-10,308	67,973
3. Other equipment, office and plant furnishings	13,306	1,652	530	305	-7	-1,151	13,574
4. Advance payments / construction in progress	9,419	8,932	940	-11,788	66	-133	5,556
	197,621	**22,321**	**30,389**	**-231**	**-595**	**-15,306**	**173,422**
III. Financial investments							
1. Investments	28	33	0	0	0	0	61
2. Long-term securities	49,078	27,350	30,460	-3,100	0	-1	42,867
3. Other loans	49	25	264	0	0	384	194
	49,155	**27,408**	**30,724**	**-3,100**	**0**	**383**	**43,122**
	276,295	**51,594**	**61,186**	**-3,158**	**-595**	**-16,125**	**246,826**

	Depreciation								Book values	
(EUR thousands)	01.01.2015	Additions	Appreciations	Disposals	Reclassifications	Currency translations	Changes in scope of consolidation	31.12.2015	31.12.2015	31.12.2014
I. Intangible assets										
1. Patents, trademarks, licenses & similar rights	4,590	1,774	0	13	0	0	-643	5,707	3,390	4,029
2. Goodwill	8,139	3,432	0	0	0	0	0	11,571	9,541	12,739
3. Prepayments on account	0	0	0	0	0	0	0	0	71	22
	12,729	**5,206**	**0**	**13**	**0**	**0**	**-643**	**17,278**	**13,002**	**16,790**
II. Fixed assets										
1. Land and buildings	11,937	3,865	0	65	0	0	-637	15,100	71,218	83,250
2. Technical plant and machinery	27,873	11,667	-37	17,115	0	10	-4,232	18,166	49,807	51,836
3. Other equipment, office and plant furnishings	6,251	2,105	0	320	9	1	-549	7,497	6,077	7,054
4. Advance payments/ construction in progress	6	0	0	0	0	0	8	14	5,542	9,413
	46,067	**17,637**	**-37**	**17,500**	**9**	**11**	**-5,410**	**40,777**	**132,644**	**151,552**
III. Financial investments										
1. Investments	0	0	0	0	0	0	0	0	61	28
2. Long-term securities	165	64	0	165	0	0	0	64	42,804	48,913
3. Other loans	0	0	0	0	0	0	0	0	194	49
	165	**64**	**0**	**165**	**0**	**0**	**0**	**64**	**43,059**	**48,989**
	58,961	**22,907**	**-37**	**17,678**	**9**	**11**	**-6,053**	**58,119**	**188,705**	**217,332**

Intangible assets

Goodwill changed as follows during the financial year:

2015					2014				
Increase	Decrease	Group change	Amortised	Book value	Increase	Decrease	Group change	Amortised	Book value
9	0	235	3,433	9,541	11,848	212	11	3,106	12,739

The Group's consolidated goodwill as at 31 December 2015 was attributable mainly to companies of the ASTERION Group (TEUR 1,284) and BB Government Services GmbH (TEUR 8,257). The remaining average amortisation period for consolidated goodwill is roughly five years.

A useful life of 10 years is applied to goodwill acquired before 1 January 2010. This 10-year useful life, which exceeds the five-year period for goodwill pursuant to § 314 Paragraph 1 No. 20 HGB, is based on the planned, long-term holding horizons of the respective companies.

An expected useful life of five years is applied to goodwill acquired after 1 January 2010.

The useful life of industrial property rights and licences is three to five years. Useful life has been determined on the basis of the expected period of actual use. All intangible assets are amortised on a straight-line basis.

Tangible assets

The useful life is three to ten years for fixtures and furnishings and eight to 20 years for technical equipment and machinery, depending on their commercial use. Buildings are depreciated based on an economic useful life of 25 to 50 years.

Financial assets

1. Shares in affiliated companies

The item "shareholdings in affiliated companies" includes non-consolidated holdings valued at acquisition price minus any necessary markdowns to fair value.

2. Securities held as fixed assets

Holdings in stock-market listed incorporated companies should bring lasting benefit to operations of the BAVARIA Industries Group AG. The Management Board classified them as investments as outlined in § 247 Paragraph 2 HGB (German Commercial Code). In contrast to the prior year's presentation, they are no longer recognized in the balance sheet and fixed assets as investments, but under securities held as fixed assets.

Depreciations are carried out only when there is a prospect of a lasting value decrease as outlined in § 253 Paragraph 3 Sentence 3 HGB (German Commercial Code). Impairment write-downs due to not lower market prices at the reporting date were made on the basis of expected permanent impairment in the amount of TEUR 63.

The following investments were evaluated on the reporting date as being above the fair market values measured for them, as their value decrease is not expected to last.

Sector of Investment	Pieces	Acquisition Costs/ Book values (EUR) as at 31.12.2015	Market value (EUR) as at 31.12.2015	Loss from rate development (EUR))	Loss from rate development (%) as at 31.12.2015
Mixed investments	20,000	384,286.64	283,000.00	-101,286.64	-26
Energy and raw materials	195,193	899,779.04	713,413.01	-186,366.03	-21
Technology	10,300	1,409,304.87	1,319,842.00	-89,462.87	-6
Others	148,910	3,813,485.33	3,202,180.29	-611,305.04	-16
Medical	12,800	987,197.40	775,680.00	-211,517.40	-21
Banks and Insurance Companies	146.033	1,765,010.80	1,611,274.48	-153,736.32	-9
Automotive	96.000	942,133.42	768,000.00	-174,133.42	-18

Following the slamp in January, the stock prices of all the above sectors are again in the steady upward. On account of this trend, market values were not applied for these groups on 31 December 2015.

All long-term equity securities were entered into following a comprehensive risk assessment and no financial or economic difficulties on the part of the issuers are anticipated.

Geographic distribution

The geographic distribution of fixed assets is as follows:

31.12.2015 (EUR thousands)	Germany	European Union	Total
Intangible assets	8,930	4,072	13,002
Tangible assets	11,146	121,499	132,645
Financial assets	42,967	91	43,058
	63,043	125,662	188,705

31.12.2014 (EUR thousands)	Germany	European Union	Total
Intangible assets	11,379	5,411	16,790
Tangible assets	11,514	140,039	151,553
Financial assets	48,921	69	48,990
	71,814	145,519	217,333

Current assets (working capital)

(Not including securities, cash balances or bank deposits/credits)

(EUR thousands)	31.12.2015	31.12.2014
Raw materials and supplies	27,657	35,492
Work in progress	56,667	38,641
Finished goods and merchandise	11,129	12,667
Payments on account	1,892	1,254
Trade receivables	155,561	163,876
Other assets	33,978	50,518
	286,884	302,448

Notes to the Consolidated Financial Statement - Notes to the Balance Sheet 45

"Other assets" includes TEUR 18,188 in receivables from the tax.
"Trade receivables" includes accounts receivable with a remaining term of more than one year totalling TEUR 59. "Other assets" includes assets with a remaining term of more than one year totalling TEUR 5,566.

Equity capital

1. Share capital

The share capital amounts to EUR 5,612,514.00 at 31 December 2015. It has been fully paid in and consists of 5,612,514 no-par shares with a calculated nominal value of EUR 1.00 per share.

Contingent capital amounts to EUR 49,500.00.

Own shares are stated at calculated nominal value separately from subscribed capital. These own shares have been acquired on the basis of authorisations pursuant to § 71 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG). The Company does not derive any rights from these own shares; in particular, they do not carry any dividend rights.

a) Own shares

By resolution of the General Shareholder Meeting on 25 May 2012, the Company was empowered, pursuant to § 71 Paragraph 1 No. 8 of the German Stock Corporation Act (AktG), to acquire own shares worth up to 10% of the total share capital (as at the date of acquisition of said shares), at any time until 24 May 2017. This right may be exercised in whole or in part, and in this case more than once.

The authorisation granted by the General Shareholder Meeting of 25 May 2012 had (almost) been exhausted and 360,049 of the 350,049 repurchased shares had since been withdrawn and the share capital has been reduced.

The Company was authorised by resolution of the General Shareholder Meeting on 28 May 2014, pursuant to § 71 Paragraph 1 No. 8 AktG, to acquire own shares worth up to 10% of the total share capital as at the date on which the resolution was passed, at any time until 27 May 2019. This right may be exercised in whole or in part, and in this case more than once, for one or several purposes. The previous authorisation to purchase own shares pursuant to the General Shareholder Meeting of 25 May 2012 has thereby been superseded.

The shares acquired on the basis of this authorisation, together with other shares in the Company that the Company has already acquired or still holds, or that are attributable to it in accordance with §§ 71d and 71e AktG, may not at any time account for more than 10% of the Company's share capital.

The Executive Board was empowered to use Company shares acquired pursuant to the above authorisation, with the consent of the Supervisory Board, for all legally permissible purposes, particularly for the following:

- They may be used to introduce Company shares to foreign stock exchanges on which they are not yet listed.
- The shares may be sold in exchange for non-cash benefits and in particular may be offered or granted to third parties in connection with company mergers or acquisitions of companies, parts of companies or shareholdings therein, including an increase in existing shareholdings.
- They may be offered for purchase to persons who are, or have been, employed by the Company or its affiliates within the meaning of §§ 15 et seq. of the German Stock Corporation Act (AktG), or granted/transferred to such persons with a blocking period of not less than one year. If shares are offered to persons as part of a stock option programme, a blocking period of four years applies.
- They may be withdrawn from circulation without their withdrawal requiring a further resolution of the General Shareholder Meeting. These shares may also be retired via a simplified procedure (without a reduction of equity capital) by adjusting the pro-rata nominal amount of the remaining no-par shares in the Company's equity capital. The retirement of shares may also be limited to a portion of the Company shares acquired. The right to retire shares pursuant to the authorisation may be exercised more than once.
- They may also – observing the principle of equal treatment (§ 53a AktG) – be resold via the stock exchange, an institution similar to a stock exchange or a trading platform, by means of a public purchase offer aimed at all shareholders in the Company or a public request to submit offers for sale aimed at all shareholders in the Company.

As at 31 December 2015, the Company has made the following share repurchases:

- On the basis of the authorisation granted by the General Shareholder Meeting on 20 June 2008, a total of 150,986 own shares (of which 139,458 shares were acquired in 2008) acquired.
- On the basis of the authorisation granted by the General Shareholder Meeting on 29 May 2009, a total of 70,150 own shares (of which 27,260 shares were acquired under a repurchase offer pursuant to the authorisation granted by the General Shareholder Meeting on 29 May 2009) acquired.
- On the basis of the authorisation granted by the General Shareholder Meeting on 11 June 2010, a total of 220,801 own shares (of which 16,092 shares were acquired in 2010 and 188,139 in 2011) acquired.
- Of the total of 441,937 own shares acquired, 431,937 were withdrawn in connection with the agreed capital reduction in April 2012. The remaining 10,000 shares of our own could not be withdrawn as they are deposited as securities with our designated sponsor.
- On the basis of the authorisation granted by the General Shareholder Meeting on 25 May 2012, a total of 350,049 own shares (of which 143,214 shares were acquired in 2012, 181,364 shares were acquired in 2013 and 25,471 were acquired in 2014) acquired.
- Of the total of 360,049 own shares acquired, 350,049 were withdrawn in connection with the agreed capital reduction in April 2014. The remaining 10,000 shares of our own shares remain deposited at our designated sponsor as securities lending.
- On the basis of the authorisation granted by the General Shareholder Meeting on 28 May 2014, a total of 245,135 own shares (of which 78,766 were acquired in 2014) acquired.

These repurchased shares amount to a total of EUR 255,135 or 4.5% of equity capital.

Share repurchases in 2015 based on the General Shareholder Meeting of 28 May 2014

Date	Repurchased shares (units	Share of equity capital (%)	Average price	Total market price (EUR)	Cumulative no. of shares	Cumulative share of equity capital (%)
Jan 15	2,852	0.05	36.01	102,704.99	2,852	0.05
Feb 15	-	0.00	-	-	2,852	0.05
Mar 15	2,687	0.05	40.62	109,152.41	5,539	0.10
Apr 15	-	0.00	-	-	5,539	0.10
May 15	-	0.00	-	-	5,539	0.10
Jun 15	4,650	0.08	44.30	206,006.20	10,189	0.18
Jul 15	-	0.00	-	-	10,189	0.18
Aug 15	3,629	0.06	41.48	150,535.15	13,818	0.25
Sep 15	4,618	0.08	43.91	202,759.16	18,436	0.33
Oct 15	138,746	2.47	44.43	6,164,461.59	157,182	2.80
Nov 15	7,889	0.14	41.97	331,538.07	165,071	2.94
Dec 15	1,298	0.02	45.48	59,028.68	166,369	2.96

b) Authorised capital

Authorised capital 2008/I

By resolution of the General Shareholder Meeting of 20 June 2008, the Executive Board is authorised (subject to Supervisory Board approval) to increase equity capital by up to EUR 2,094,750.00 through one or more issues of shares (Authorised Capital 2008/I) in return for cash and/or in-kind contributions at any time until 19 June 2013. This option to increase share capital within the period allowed was not realised. The deletion of the authorised capital 2008/I has not yet been entered into the commercial register.

The shareholders' subscription rights may be suspended insofar as any of the following apply:

- The issue price is not significantly below the concurrently determined stock-exchange price of the shares, and the equity increase resulting from cash contributions does not exceed 10% of equity capital.
- Equity capital is to be increased by in-kind contributions for acquisition of companies.
- Suspension of the shareholders' subscription rights is required in order to exercise convertible bond rights, convertible profit-sharing rights or options.
- Suspension of shareholders' subscription rights is required to smooth fractional amounts.

Authorised capital 2012/I

The Executive Board was authorised by resolution of the General Shareholder Meeting of 25 May 2012 (subject to Supervisory Board approval) to increase equity capital by up to EUR 886,531 through one or more issues of up to 886,531 new no-par bearer shares in return for cash or in-kind contributions, up to 24 May 2017 (Authorised Capital 2012).

The shareholders' subscription rights may be suspended insofar as any of the following apply:

- The issue price of the new shares does not fall significantly below the stock market price of Company shares on the date on which the issue price is determined and the equity increase resulting from cash contributions does not exceed 10% of equity capital, either on the date on which this authorisation comes into effect or on the date on which it is exercised. Shares that have been or are to be issued in order to service bonds with warrants or convertible bonds shall count towards these shares if the bonds have been issued pursuant to § 186 Paragraph 3 Sentence 4 AktG, with suspension of subscription rights. Furthermore, the sale of own shares shall count towards the limit of 10% of equity capital if the sale takes place on the basis of an authorisation to sell own shares with suspension of subscription rights that is valid at the time the authorised capital comes into effect;
- If the equity capital is to be increased by means of a capital increase in exchange for contributions in kind, for the purpose of acquiring companies, parts of companies or shareholdings in companies in exchange for the transfer of shares in the Company, provided that this is in the Company's best interests;
- If it is necessary in order to grant holders of convertible bonds, convertible profit-sharing rights and options issued by the Company a subscription right for new shares to the same extent to which they would be entitled after exercising their conversion option or option right, to protect against dilution; or
- Suspension of shareholders' subscription rights is required to smooth fractional amounts.

c) Contingent capital

Contingent capital 2006/I – convertible bonds for members of the Supervisory Board

At the recommendation of the Executive Board and Supervisory Board, the General Shareholder Meeting of 5 September 2006 agreed to a contingent increase in the Company's equity capital of up to EUR 49,500 through the issue of up to 49,500 no-par bearer shares (Contingent Capital 2006/I). This contingent capital increase was to be implemented only insofar as the associated convertible bonds were issued and the embedded options to convert said bonds to no-par shares were exercised. The shareholders' statutory subscription rights were disapplied.

In December 2006, convertible bonds in the amount of EUR 49,500 were issued to the members of the Company's Supervisory Board at a minimum issue amount of EUR 0.33 per bond and a calculated nominal value of EUR 1.00 per bond. The members of the Supervisory Board exercised their subscription rights fully and all convertible bonds were officially issued as at 31 December 2006 in accordance with the conversion conditions set forth on that date. As per said conditions, the conversion price was set at EUR 21.70 per bond.

Each convertible bond contained an embedded option allowing its conversion into a single individual share in the Company. The convertible bonds matured after five years on 31 December 2011. None of the Supervisory Board members exercised their conversion rights.

The cancellation of Contingent Capital 2006/I has not yet been entered in the commercial register.

2. Capital reserve

As at the reporting date, the capital reserve amounted to EUR 9,387,486.00.

3. Reserve due to own shares

The “reserve due to own shares” changed as follows during the reporting year:

(EUR thousands)	
Reserve due to own shares as of 31 December 2014	89
Inclusion of own shares acquired in current year (stated at nominal value)	166
Resolution educated reserve because of the entry of own shares	0
Reserve due to own shares as of 31 December 2015	**255**

Variance arising from capital consolidation

The credit variance from capital consolidation (negative goodwill) shown as at the reporting date will be reversed in income in subsequent years in accordance with its origin.

In the 2014 and 2015 financial years, this item changed as follows:

2015					2014			
Increase	Reversal	Profit-neutral adjustment	Decon-solidation	Book value	Increase	Reversal	Profit-neutral adjustment	Book value
0	11,971	-17,922	9,633	103,522	102,476	8,434	788	143,048

A **credit variance** from capital consolidation (negative goodwill) arises when a company is acquired at a price below the book value of its equity capital (as per the balance sheet). The credit variance (negative goodwill) is reversed in the Consolidated Group Annual Report and applied towards income in accordance with the progress of restructuring and rehabilitation of the investee company, insofar as additional other expenses or losses are still expected.

Insofar as the negative goodwill is not associated with expected future expenses or losses, it is reversed in income as follows:

a) The portion of the negative goodwill that does not exceed the current market value of the acquired non-monetary assets of the investee company is recognised in regular instalments based on the (weighted) average remaining useful life of the depreciable assets acquired.

b) The portion of the negative goodwill that exceeds the current market value of the acquired non-monetary assets of the investee company is recognised as income at the time of initial consolidation.

The reversal of negative goodwill is reflected in the Consolidated Group Profit & Loss Statement under “other operating revenues”.

The increases in negative goodwill resulted mainly from initial consolidations.

Provisions

(EUR thousands)	31.12.2015	31.12.2014
Pension provisions	24,760	33,288
Tax provisions	6,089	4,357
Other provisions	53,027	56,204
	83,876	**93,849**

Pension provisions

As at the reporting date, the amount needed to cover pension obligations amounted to TEUR 24,760 (prior year TEUR 33,288). Changes in this area are essentially the result of the ASTERION Germany GmbH.

Other provisions

Other provisions consisted mainly of personnel-related obligations (TEUR 26,033), litigation risks (TEUR 2,451), outstanding invoices (TEUR 7,365), warranty obligations (TEUR 2,697) as well as restructuring measures (TEUR 2,275).

Liabilities

(EUR thousands)	31.12.2015	31.12.2014
Liabilities to banks	49,440	31,599
Advance payments received for orders	30,629	16,788
Trade liabilities	121,157	123,964
Liabilities to affiliated companies	36	61
Other liabilities	50,904	59,024
	252,166	**231,437**

The term structure of liabilities is summarised below:

31.12.2015 (EUR thousands)	< 1 year	1-5 years	> 5 years	Total
Liabilities to banks	28,636	20,804	0	**49,440**
Advance payments received for orders	30,244	0	385	**30,629**
Trade liabilities	118,911	2,246	0	**121,157**
Liabilities to affiliated companies	36	0	0	**36**
Other liabilities	46,607	4,256	41	**50,904**
	224,434	**27,306**	**426**	**252,166**

Liens on real property in the aggregate amount of EUR 5 million were granted to various secured third parties. These served mainly as sureties for loans and lines of credit by SIDES.

31.12.2014 (EUR thousands)	< 1 year	1-5 years	> 5 years	Total
Liabilities to banks	25,764	5,665	170	31,599
Advance payments received for orders	16,719	70	0	16,789
Trade liabilities	120,841	3,123	0	123,964
Liabilities to affiliated companies	61	0	0	61
Other liabilities	49,130	9,793	101	59,024
	212,515	18,651	271	231,437

Deferred tax liabilities

Deferred tax liabilities are reported at the consolidated Group level based on a tax rate of 30%. The respective deferred tax liabilities of the Company‘s subsidiaries were calculated based on the tax rate expected to apply in each case. Deferred tax liabilities result mainly from variances arising from the valuation of inventories and tangible assets for tax purposes.

Differences arise here mainly and within the TriStone Group and at SIDES.

Contingencies and commitments

Perpetual guarantee in favour of CIC (Credit Industriel et Commercial S.A. Paris, France)

Under an agreement dated 7 July 2011, BAVARIA Industries Group AG pledged a bank account with a credit balance of TEUR 350 in favour of CIC in order to secure the obligations of tech-FORM S.A.S. arising out of a loan agreement with CIC. As at 31 December 2015 was a credit in the amount of TEUR 167.

Indemnity agreement in favour of Reinhard Mohn GmbH, Gütersloh

To secure any liability in connection with the purchase of an investment BAVARIA Industries Group AG guarantees, temporally limited to three years, with EUR 4 million.

Contingencies and commitments of investee companies

As well as the above contingencies and commitments of BAVARIA Industries Group AG, there are also contingencies and commitments at the level of Group companies.

The TriStone Group provided guarantees of TEUR 325 for its assurance of imports and loans as at 31 December 2015.

Based on an ongoing evaluation of the risks pertaining to the guarantees and commitments undertaken, and after duly allowing for all information available as of this writing, BAVARIA Industries Group AG is currently working on the assumption that the obligation underlying the aforesaid guarantees and commitments can be properly fulfilled by the principal debtors tech-FORM S.A.S. BAVARIA Industries Group AG thus considers that an adverse claim will be made in connection with a perpetual guarantee in favour of CIC.

In terms of the indemnity agreement in favour of Rheinhard Mohn GmbH, BAVARIA Industries Group AG estimates the probability of occurrence as low, as there are no indications in the medium term that Arti Kalender & Promotion Services GmbH, Gütersloh, a wholly owned subsidiary of BAVARIA Industries

Group AG, will become insolvent, which would in turn be only a condition for a claim under this agreement.

BAVARIA Industries Group AG enters into obligations and commitments only after a careful evaluation of risks and generally only in connection with its own business operations and/or those of its affiliates and investee companies.

Financial obligations

Total financial obligations arising from purchase commitments and long-term rental/leasing agreements with fixed durations amounted to TEUR 45,745 (prior year TEUR 47,679).

The term structure of these financial obligations can be summarised as follows:

(EUR thousands)	31.12.2015	31.12.2014
Term		
< 1 year	36,361	16,549
1-5 years	6,819	29,921
> 5 years	2,565	1,209
Total	45,745	47,679

TEUR 9,879 of these financial obligations is attributable to purchase commitments arising from the order backlogs of Group companies (prior year TEUR 8,812).

Other sureties

Warranty and down-payment guarantees were issued in an aggregate amount of TEUR 17,534 (prior year TEUR 25,320).

Auditors‘ fees

During the reporting year, the following fees were paid to public auditors for audits operating in this country, consultations and other services:

2015

(EUR thousands)	Total Group Auditors
Fee for audit of the 2015 financial statements	63
Fee for other audits in 2015	21
Fee for tax consulting in 2015	0
Fee for other auditor servises in 2015	0
Total	84

2014

(EUR thousands)	Total Group Auditors
Fee for audit of the 2014 financial statements	222
Fee for other audits in 2014	0
Fee for tax consulting in 2014	2
Fee for other auditor servises in 2014	0
Total	224

Transactions not appearing on the balance sheet

Factoring

Eight subsidiaries in the BAVARIA Group use factoring as a financing tool. The total scope of such factoring amounts to roughly EUR 47 million, of which EUR 29 million had been used up to 31 December 2015. Some of these factoring agreements involve bona fide open factoring, whereby the factoring partner assumes the entire default risk, but thereby excludes certain customers, avoids cumulative risks by means of quotas, and assumes receivables on a pro-rata basis only. The other agreements involve “quasi factoring”, whereby the default risk continues to be borne by the customer. However, the associated default risk for BAVARIA remains limited because factoring is used mainly by our investee companies in the automotive industry.

The objective and benefit of factoring is to bring about improvement in the liquidity and risk position of the company in question. On the negative side, the costs associated with factoring must be charged against revenues. Another potential disadvantage is the disclosure of receivable sell-offs in the context of open factoring, since customers generally settle their liabilities directly with the factoring firm.

Sale-and-leaseback transactions

Three subsidiaries of the BAVARIA Group use sale-and-leaseback transactions as a financing tool.

Long-term lease agreements are in place for one building, IT equipment, software and production facilities. The resulting total obligation is included in “other financial obligations”, insofar as it has not otherwise been taken into account on the balance sheet.

The objective and benefit of sale-and-leaseback transactions is the procurement of liquid funds, i.e. positive cash flows for the company in question. The associated risks mainly involve the leasing instalments that the company commits to paying.

Financial derivatives not reported at market value

In the course of their worldwide business, investment and financing activities, the companies of the BAVARIA Group are specifically exposed to risks from fluctuating exchange rates, interest rates and commodity prices. These risks can be hedged and/or eliminated by means of financial derivatives.

In order to hedge against risks arising from fluctuations in the value of assets, liabilities, pending business and anticipated transactions denominated in foreign currencies, the companies of the BAVARIA Group make use of financial derivatives, albeit to a restricted extent.

As at 31 December 2015, one of Group companies held currency forwards in the amount of TUSD 298 maturing in 2016. The market value of the forward transaction was positive at TEUR 0 based on changes in the forward exchange rates. Another Group company has entered into an interest rate swap to hedge a lease with a volume of TEUR 1,686 and a term to 2016. The market value of the instrument was negative at TEUR 15 due to the change in the interest rate.

At 31 December 2015, BAVARIA Industries Group AG had entered into arbitrage deals to hedge exchange rate risks in the amount of TEUR 15,100. The market value of the arbitrage deals was negative at TEUR 367 due to the changes in the exchange rates. A corresponding provision for expected losses was recognised in the amount of TEUR 367.

VII. Notes on the Profit & Loss Statement

Turnover

Turnover from the deconsolidation of companies is only recognised on a pro-rata basis (with the ending on the deconsolidation date).

The turnover revenues of the BAVARIA Group can be broken down by regional market:

(EUR thousands)	2015	2014
European Union (except Germany)	494,559	426,178
Germany	193,978	175,794
Europe, other	13,151	10,552
America	27,391	21,442
Asia	27,566	7,459
Africa	23,413	24,655
Other	5,528	7,945
	785,586	674,025

Other operating revenues

Other operating revenues can be broken down as follows:

(EUR thousands)	2015	2014
Gains from the sale of securities and financial market transactions	11,999	1,833
Gains from the reversal of negative goodwill	11,971	8,434
Gains from currency translations	1,502	1,748
Gains from the reversal fo provisions	4,083	2,047
Gains from value adjustments	2,066	143
Gains from abatement of liabilities	2,145	688
Revenues from subsidies	472	514
Gains from insurance reimbursements	202	93
Gains from the disposal of fixed assets	827	1,251
Revenues from lease/rental agreements	435	420
Gains from debt consolidation	19	11
Gains from deconsolidation of shareholdings in affiliated companies	4,328	1,121
Other	8,610	4,942
	48,659	23,245

Gains from the reversal of negative goodwill result from regular reversal of negative goodwill in accordance with the progress of ongoing restructuring at the investee companies.

Other operating income includes gains on the disposal of securities and financial market transactions of TEUR 11,999 (prior year TEUR 1,833). This is offset by other operating expenses from the sale of securities and financial market transactions of TEUR 8,351 (prior year TEUR 3,117).

In contrast to the previous year, income from the sale of securities is no longer reported as income from the disposal of investments but in other operating income. The prior year's Profit and Loss Statement was adjusted.

Materials expense

In the 2015 financial year, materials expense amounted to TEUR 404,977 (prior year TEUR 327,600).

Personnel expense

Personnel expense increased as follows year-on-year:

(EUR thousands)	2015	2014
Wages and salaries	177,963	152,090
Social contributions and pension costs, of which: TEUR 1,136 for pensions (prior year TEUR 1,796)	52,679	47,288
	230,642	199,378

Depreciation / Amortisation

There was unscheduled depreciation/amortisation on the financial assets of TEUR 64 (prior year TEUR 165) during the financial year.

Other operating expense

(EUR thousands)	2015	2014
Packing and freight	20,758	15,864
Repair and maintenance	22,604	19,347
Expenses from the sale of securities and financial market transactions	8,351	3,117
Third-party services, insurance and premiums	6,884	7,385
Losses from currency translation	1,449	659
Rentals and leasing	12,870	11,670
IT expence	6,502	5,931
Travel and lodging	4,174	4,198
Administrative costs	6,698	3,982
Costs of temporary personnel	15,849	12,887
Losses from deconsolidation	702	2,535
Comissions	3,348	3,650
Attorney/notary fees and court costs	5,951	4,321
Miscellaneous personnel costs	2,537	1,369
Management consulting costs	1,794	1,324
Warranties and guarantees	2,298	1,115
Advertising	1,204	831
Value adjustments	1,264	2,785
Bad reseivables	114	217
Miscellaneous	15,074	17,579
	140,425	120,766

Other operating expenses totalled TEUR 23,408 and included operating expenses incurred at the level of individual subsidiaries. These relate, for example, to accounting and auditing costs, personnel recruitment expenses, Supervisory Board and advisory committee compensation, etc.

Net interest income

(EUR thousands)	2015	2014
Interest income and similar revenue, of which: from affiliated companies TEUR 1 (prior year TEUR 1)	1,484	1,364
Interest expense and similar costs, of which: to affiliated companies TEUR 0 (prior year TEUR 0)	8,290	4,871
	-6,806	-3,507

Interest expenses in 2015 were attributable mainly to the TriStone Group and the ASTERION Group as well as vosla, CARBODY S.A.S. and Arti Group.

Extraordinary income / expenses

Extraordinary expenses in the amount of TEUR 2,074 mainly included expenses for financing at TriStone Group costing TEUR 631 and restructuring expenses at ASTERION Group costing TEUR 750.

Taxes on income / profits

Income tax expenses include both taxes payable directly on income/profits as well as deferred taxes.

Prior-period income and expenses

“Other operating revenues” includes EUR 8.3 million (prior year EUR 2.9 million) in revenues from outside the reporting period. These involve the reversal of provisions as well as changes to value adjustments.

“Other operating expenses” includes EUR 1.3 million (prior year EUR 3 million) in expenses from outside the reporting period. These relate to value adjustments, mainly at Arti Group and TriStone.

VIII. Reporting by Segment

Serial Production / Automotive

The “Serial Production / Automotive” business segment comprises companies that are active in the serial manufacture of components, or, at least in part, as automotive suppliers, specifically:

- In 2015: tech-FORM, ADG KG, TriStone Group, CARBODY Group and vosla,
- In 2014: tech-FORM, ADG KG, TriStone Group, CARBODY Group and vosla.

Plant Engineering & Construction

The “Plant Engineering & Construction” business segment comprises all companies involved in the construction and engineering of plant and machinery, specifically:

- In 2015: BB Government Services, Hering and SIDES S.A.S.,
- In 2014: BB Government Services, Hering, L&E Group (deconsolidated on 31 December 2014) and SIDES S.A.S.

Business Services

The “Business Services” segment comprises all operating companies that cannot be allocated to any of the above business segments:

- In 2015: Arti Group, Cobelplast, Technology Luminaires, Portalex Aluminio and ASTERION Group,
- In 2014: Arti Group, Cobelplast, Technology Luminaires, Portalex Aluminio and ASTERION Group.

The “Others” segment mainly consists of the BAVARIA Group‘s non-operating holdings and interim holdings.

The after-tax surplus for each business segment is reported as the “segment result”. Transactions between the various segments are priced according to the “arm‘s-length principle”.

The following Segment Report was prepared in accordance with German Financial Reporting Guideline DRS 3:

31.12.2015 (EUR thousands)	Serial Production / Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
Sales						
with external third parties	372,282	104,370	308,389	0	75	785,116
with group companies	171	0	0	4,987	-4,688	470
Profit and Loss Statement						
Segment net income	14,158	3,040	-8,360	16,605	4,290	29,733
Financial result included therein	2,640	6	4,975	-2,421	962	6,162
Taxes included therein	5,302	1,533	1,344	891	0	9,070
Extraordinary result included therein	631	-162	1,038	-3,429	3,527	1,606
EBIT	22,731	4,418	-1,003	11,646	8,779	46,572
depreciation included therein	10,211	1,118	8,045	349	3,120	22,842
EBITDA	32,942	5,536	7,043	11,995	11,899	69,414
Balance Sheet						
Total assets	203,028	105,465	238,375	210,139	-118,722	638,285
Investments in fixed assets	17,067	1,967	7,095	28,198	0	54,328
Provision, accruals and liabilities	127,348	79,681	139,731	61,578	-65,630	342,707
Liquid funds (without short term securities)	26,502	7,682	49,270	63,014	0	146,467
Financial liabilities third party	33,124	9,035	9,087	-1,807	0	49,440
Net. liquidity	-6,622	-1,353	40,182	64,820	0	97,027
Employees	3,526	397	2,037	9	0	5,969

31.12.2014 (EUR thousands)	Serial Production / Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
Sales						
with external third parties	347,074	97,494	229,264	0	0	673,832
with group companies	1	193	3	4,645	-4,649	193
Profit and Loss Statement						
Segment net income	9,473	645	-6,346	-1,830	4,490	6,432
Financial result included therein	2,651	46	1,005	-1,324	334	2,711
Taxes included therein	5,077	635	1,479	326	0	7,517
Extraordinary result included therein	256	73	3	-28	0	303
EBIT	17,456	1,399	-3,860	-2,856	4,823	16,962
depreciation included therein	10,247	1,105	6,947	418	2,404	21,120
EBITDA	27,703	2,503	3,087	-2,438	7,227	38,082
other non-cash items (incl. Extraordinary)	470	13	273	344	-6,450	-5,351
Income from investments consolidated companies	0	0	0	-335	335	0
Balance Sheet						
Total assets	171,352	84,006	276,398	192,069	-83,193	640,633
Investments in fixed assets	13,989	654	4,385	50,197	11,848	81,073
Provision, accruals and liabilities	110,241	58,812	153,032	62,486	-56,084	328,487
Liquid funds (without short term securities)	15,868	6,506	45,892	49,761	0	118,028
Financial liabilities third party	22,422	3,685	8,007	-2,515	0	31,599
Net. liquidity	-6,554	2,821	37,886	52,276	0	86,429
Employees	3,530	405	1,926	11	0	5,872

The stated number of employees was valid as at 31 December 2015 and 31 December 2014.

Arriving at the consolidated group figures

2015 segment results

The reversal of negative goodwill (EUR 7.6 million) and goodwill amortisation (EUR 0.5 million) within the sub-groups were allocated to the consolidated column.

Other non-cash items 2015

Non-cash items primarily relate to reversals on negative differences, losses on deconsolidation, reversals of provisions, value adjustments and waived liabilities.

Segment assets and debts in 2015

Receivables and liabilities and the corresponding consolidation entries have been allocated to the segments where possible.

2014 segment results

The reversal of negative goodwill (EUR 8.4 million) and goodwill amortisation (EUR 3.1 million) within the sub-groups were allocated to the consolidated column.

Other non-cash items 2014

Non-cash items primarily relate to reversals on negative differences, losses on deconsolidation, reversals of provisions, value adjustments and book losses on asset disposals.

Segment assets and debts in 2014

Receivables and liabilities and the corresponding consolidation entries have been allocated to the segments where possible

IX. Miscellaneous Information

Executive Board and Supervisory Board

Executive Board

- Reimar Scholz, Degree in Business Administration (Diplom Kaufmann), Gauting, Germany, Head of Acquisitions and Investments (Chief Executive Officer)
- Harald Ender, Degrees in Engineering and Business Administration (Diplom Ingenieur, Diplom Kaufmann), Landsberg, Germany, Head of Operations (Chief Operating Officer)

Insofar as only one Executive Board Member has been appointed, he/she is entitled to act as sole representative of the Company. If more than one has been appointed, any two Executive Board Members may jointly represent the company.

Reimar Scholz is entitled to act as sole representative.

Harald Ender is entitled to represent the company in tandem with another Executive Board Member or a fully authorised agent (proxy holder).

The Executive Board members have been released from the restrictions of § 181 of the German Civil Code (BGB).

Supervisory Board

- Oliver Schmidt, financial investor, residing in Düsseldorf (Chairman)
- Hans-Peter Lindlbauer, attorney at law, residing in Munich (Deputy Chairman)
- Wanching Ang, financial investor, residing in Gauting

Total remuneration of the Supervisory Board and Executive Board as well as former members of these bodies

Total remuneration of Supervisory Board Members amounted to TEUR 41 (prior year TEUR 41).

During the reporting year, the Company paid fees of TEUR 10 (prior year TEUR 18) to the law firm ljh Lindlbauer Rechtsanwälte, of which Mr Lindlbauer is a partner. This occurred in the context of a separate consulting agreement pursuant to § 114 of the German Stock Corporation Act (AktG).

Total remuneration received by Executive Board Members in 2015 amounted to TEUR 1,849 (prior year TEUR 2,421). The fair market value of remuneration packages legally guaranteed to Board Members from the virtual share option programme amounts to TEUR 1,134.

Employees

The total workforce of the companies included in the scope of consolidation as at 31 December 2015 numbered an average of 5,969 persons during the year (prior year 5,872 employees). The BAVARIA Group's workforce developed as follows:

	2015	2014
Industrial workers	3,599	4,525
Employees	2,303	1,279
Trainees	67	68
	5,969	**5,872**

Relationships with affiliated persons / entities

BAVARIA has customary business dealings with affiliated but not consolidated subsidiaries. The transactions with these companies are negligible in scope, arise in the course of normal operations and are performed under arm's-length conditions.

Moreover, none of the companies of the Group has engaged in any significant business transactions with members of BAVARIA's Executive Board or Supervisory Board, or with persons belonging to their respective families.

X. Schedule of Shareholdings

All Numbers in Local Currency (1,000s)	Currency	Share of equity in %		Equity	Net income	Exchange Rate
		direct	indirect			
Group parent company						
BAVARIA Industries Group AG (prev. BAVARIA Industriekapital AG), Munich				121,702	8,226	
Schedule of shareholdings						
BAVARIA Industriekapital AG (prev. BAVARIA Industriekapital II AG), Munich	(1) EUR	100.00		36	-1	
HERING Wärmetauscher Holding AG, Munich	(1) EUR	75.00		597	553	
Hering AG, Gunzenhausen	(1) EUR		71.06	2,747	561	
Nevira Vermögensverwaltung AG, Munich	(1), (5) EUR	78.00		-317	-8	
BAVARIA Maschinenbau Holding II AG, Munich	(1) EUR	97.50		55	2	
Verwaltungsgesellschaft 0906 mbH, Munich	(1) EUR	100.00		66	8	
Blitz 05-316 GmbH & Co. KG, Munich	(1) EUR	100.00		-1,881	103	
Bavariaring 0906 GmbH, Munich	(1) EUR	100.00		277	18	
Bavaria Chemicals GmbH, Munich	(1) EUR	75.00		2	-1	
Elfotec AG, Mönchaltdorf, Switzerland	(4), (5) CHF		75.00	-	-	
baikap Holding 010607 GmbH, Munich	(1) EUR	100.00		-437	-8	
baikap Holding 020607 GmbH, Gräfelfing	(1) EUR	100.00		-14	-2	
EMS Holding Bavaria GmbH, Gräfelfing	(1) EUR	100.00		-286	-12	
Pharma Holding Bavaria GmbH, Munich	(1) EUR	100.00		7	-1	
Bavaria France Holding S.A.S., Neuilly-sur-Seine, France (prev. Fonderies Aluminium de France S.A.S.)	(2) EUR		100.00	10,273	235	
Fonderie Aluminium de Cléon S.A.S., Cléon, France	(4), (5) EUR		100.00	-	-	
Fonderie d'Ingrandes, Neuilly-sur-Seine, France (prev. Fonderie du Poitou Aluminium S.A.S.)	(2) EUR		100.00	95	-15	
Baikap Trust Holding GmbH & Co.KG (prev. K+S Holding GmbH & Co. KG), Munich	(1) EUR		94.80	-76	-2	
Die-Cast Holding Bavaria GmbH, Munich	(1) EUR	100.00		9	-5	
baikap Holding 061108 GmbH, Munich	(1) EUR		100.00	18	-1	
baikap Holding 070309 GmbH, Munich	(1) EUR	100.00		-46	-5	
Inasa Foil GmbH (ehemals baikap Holding 080309 GmbH), Munich	(4) EUR		100.00	-	-	
OSNY Pharma Holding S.A.S., Osny, France	(4), (5) EUR		100.00	-	-	
Austria Druckguss GmbH & Co. KG, Gleisdorf, Austria	(2) EUR		100.00	1,784	874	
Austria Druckguss GmbH, Gleisdorf, Austria	(3) EUR		100.00	24	2	
baikap Holding 090709 GmbH, Munich	(1) EUR	100.00		31	3	
BAVARIA Purchasing Group GmbH (prev. baikap Holding 100709 GmbH), Munich	(1) EUR	100.00		159	94	
Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain	(4), (5) EUR		100.00	-	-	
INASA Foil S.A., Irurtzun bei Pamplona, Spain	(4), (5) EUR		100.00	-	-	
baikap Holding 110510 GmbH, Munich	(1) EUR	100.00		-2,408	-48	
baikap Holding 120510 GmbH, Munich	(1) EUR	100.00		-1,625	-34	
TriStone Flowtech Holding S.A.S., Carquefou, France	(2) EUR		100.00	2,819	-1,522	
TriStone Flowtech Slovakia spol Sro, Nová Bana, Slovakia	(2) EUR		100.00	6,486	728	
TriStone Flowtech Poland Sp zoo, Walbrzych, Poland	(2) PLN		100.00	105,949	18,806	0.23558
TriStone Flowtech France S.A.S.,Carquefou, France	(2) EUR		100.00	-2,818	-1,521	
TriStone Flowtech Czech Republic s.r.o, Hrádek nad Nisou, Czech Republic	(2) CZK		100.00	305	108	0.03698
TriStone Flowtech Istanbul Otomotive SVTLS, Çerkezköy, Turkey	(2) TRY		100.00	18,751	2,183	0.31404
TriStone Flowtech Italy S.p.A., Cirié, Italy	(2) EUR		100.00	11.517	2,079	

All Numbers in Local Currency (1,000s)	Currency	Share of equity in %		Equity	Net income	Exchange Rate
		direct	indirect			
TriStone Flowtech Germany GmbH, Frankfurt on the Main	(2) EUR		100.00	997	314	
TriStone Flowtech Spain S.A.U., Tarazona Spain	(2) EUR		100.00	-971	192	
TriStone Flowtech Solutions SNC, Carquefou, France	(2) EUR		100.00	-1,430	-241	
TriStone Flowtech Mexico S. de R.L. de C.V., Delicias, Mexico	(2) MXN		100.00	24,828	53,789	0.05290
TriStone Flowtech China Ltd., Suzhou, China	(7) CNY		100.00	7,257	-15,119	0.14099
TriStone Flowtech USA Inc., Detroit, USA	(3) USD		100.00	35	32	0.91516
baikap Holding 130810 GmbH, Munich	(1) EUR	100.00		-349	-74	
baikap Holding 140810 GmbH, Munich	(1) EUR	100.00		-85	-147	
baikap Holding 150911 GmbH, Munich	(1) EUR	100.00		4,988	4,900	
baikap Holding 160911 GmbH, Munich	(1) EUR	100.00		16	-2	
Bavaria Luminaires Holding S.A.S., Nanterre, France	(6) EUR		100.00	-	-	
CARBODY S.A.S., Witry-les-Reims, France	(2) EUR		100.00	8,149	1,183	
CARBODY Czech Republic s.r.o., Mlada Boleslav, Czech Republic	(2) CZK		100.00	29,007	1,768	0.03698
CARBODY Otomotiv Izolasyon Sistemleri Ticaret Limited Sirketi, Istanbul, Turkey	(3) TRY		100.00	258	68	0.31404
Carbody Deutschland GmbH, Munich	(2) EUR		100.00	16	12	
vosla GmbH, Plauen	(2) EUR		100.00	7,621	502	
vosLED GmbH, Plauen	(4) EUR		100.00	15	-10	
ASTERION International GmbH (prev. baikap Holding 170812 GmbH), Viernheim	(1) EUR	100.00		--1,118	-709	
ASTERION France S.A.S., Saint Denis, France	(2) EUR		100.00	4,201	-2,118	
ASTERION Direct S.A.S., Orvault, France	(2) EUR		100.00	-797	-749	
ASTERION Germany GmbH, Viernheim	(2) EUR		100.00	2,105	-503	
ASTERION Netherlands BV, Rotterdam, Netherlands	(2) EUR		100.00	0	-109	
ASTERION Belgium NV, Mechelen, Belgium	(2) EUR		100.00	344	-782	
ASTERION DM Finland Ab, Mariehamn, Finland	(2) EUR		100.00	419	416	
ASTERION Sweden AB, Sollentuna, Sweden	(2) SEK		100.00	14,146	-777	0.10904
ASTERION Denmark A/S, Brøndby, Denmark	(2) DKK		100.00	345	105	0.13400
ASTERION Norway AS, Oslo, Norway	(2) NOK		100.00	6,513	460	0.10452
ASTERION Italy S.r.l., Liscate, Italy	(2) EUR		100.00	364	-265	
ASTERION Italy S.r.l., Liscate, Italy	(3), (6) EUR		100.00	-28	-15	
baikap Holding 180812 GmbH, Munich	(1) EUR	100.00		4,675	-252	
Société Industrielle pour le Développement de la Sécurité S.A.S., Saint-Nazaire, France	(2) EUR		100.00	17,900	3,009	
baikap Holding 190913 GmbH, Munich	(1) EUR	100.00		112	-1	
baikap Holding 200913 GmbH, Munich	(1) EUR	100.00		66	-1	
BB Government Services GmbH, Kaiserslautern	(2) EUR		100.00	5,386	2,485	
BB Government Services S.r.l., Vicenza, Italy	(2) EUR		100.00	1,578	109	
baikap Holding 210814 GmbH, Munich	(1) EUR	100.00		23	-1	
baikap Holding 220814 GmbH, Munich	(1) EUR	100.00		23	-1	
Cobelplast N.V., Lokeren, Belgium	(2) EUR		100.00	9,204	-930	

(1) Unaudited annual report for 31 December 2015 pursuant to German Commercial Code (HGB).
(2) Audited annual report for 31 December 2014 pursuant to local accounting principles.
(3) Unaudited annual report for 31 December 2014 pursuant to local accounting principles.
(4) Not consolidated pursuant to § 296 of the German Commercial Code (HGB).
(5) Company is in liquidation.
(6) Company was deconsolidated in 2015.
(7) Audited annual report for 31 December 2014 pursuant to German Commercial Code (HGB).

(in Tausenden lokaler Währung)	Currency	Share of equity in %		Equity	Net income	Exchange Rate
		direkt	indirekt			
Bavaria Arti Grafiche Italiane Holding S.p.A., Bergamo, Italy	(2) EUR		100.00	62	12	
Nuovo Istituto Italiano d'Arti Grafiche S.p.A., Bergamo, Italy	(2) EUR		100.00	79,315	-5,929	
Eurogravure S.p.A., Treviglio (Bg), Italy	(2) EUR		100.00	737	-9,736	
Distriberg S.r.l., Bergamo, Italy	(2) EUR		100.00	327	-382	
Arti Grafiche Johnson S.p.A., Seriate (Bg), Italy	(2) EUR		100.00	5,000	-1,701	
Arti Kalendar & Promotion Services GmbH, Gütersloh	(7) EUR		100.00	16,420	533	
Proactis Quartel S.A.S., Bussy Saint-Georges, France	(2) EUR		100.00	621	88	
TAVECCHI S.r.l., Seriate (Bg), Italy	(2) EUR		100.00	431	74	
Johnson Diaries Ltd., Bury St. Edmonds, Suffolk, UK	(2) GBP		100.00	203	9	1.35661
Italoagendas S.A., Quart de Poblet (Valencia), Spain	(2) EUR		100.00	1,099	80	
Calendars & Diaries International B.V., Breda, Netherlands	(2) EUR		100.00	218	-173	

((1) Unaudited annual report for 31 December 2015 pursuant to German Commercial Code (HGB).
(2) Audited annual report for 31 December 2014 pursuant to local accounting principles.
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External affiliations of the group

BAVARIA is included in the consolidated group annual report of AS Beteiligungen und Vermögensverwaltungs GmbH, Gräfelfing, Germany. This Consolidated Group Annual Report is disclosed in the Electronic Federal Gazette (elektronischer Bundesanzeiger).

Profit distribution / recommended dividend

The net loss for the period from 1 January to 31 December 2015 amounted to EUR 8,225,927.17 (prior year net profit of EUR 244,086.66).

Taking into account the profit carried forward from the previous year in the amount of EUR 105,796,335.41 and the expenses of EUR 7,326,186.25 for acquiring treasury shares in the year under review, this resulted in net retained profits of EUR 106,696,076.33 as at 31 December 2015.

At the upcoming General Shareholder Meeting, the Executive Board and Supervisory Board of BAVARIA Industries Group AG will recommend that the Company's balance sheet profit of EUR 106,696,076.33 be carried forward in full, to allow for the Company's increased investment activities.

Munich, 15 April 2016

Reimar Scholz
Chief Executive Officer

Harald Ender
Chief Operating Officer

Audit Opinion of the Statutory Auditor

We have audited the consolidated annual financial statements prepared by BAVARIA Industries Group AG, Munich, comprising the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and the notes to the consolidated annual financial statements, together with the consolidated management report for the financial year of 1 January 2015 to 31 December 2015. The preparation of the consolidated annual financial statements and the consolidated management report in accordance with the provisions of German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated annual financial statements and the consolidated management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated annual financial statements and in accordance with the applicable financial reporting framework and in the consolidated management report are detected with reasonable assurance. Knowledge of the Group's business activities and the economic and legal environment and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the Group's accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial statements and consolidated management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on findings of our audit, the consolidated annual financial statements comply with the relevant legal provisions and give a true and fair view of the Group's net assets, financial position and results of operations in accordance with German principles of adequate and orderly accounting. The consolidated management report is consistent with the consolidated annual financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 15 April 2016

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Christian Schönhofer
German Public Auditor

Helge Schäfer
German Public Auditor

List of Abbreviations

ADG	Austria Druckguss GmbH & Co. KG, Gleisdorf, Austria
ACEA	European Automobile Manufacturers Association
AktG	German Stock Corporation Act
Arti Grafiche Johnson	Arti Grafiche Johnson S.p.A., Bergamo, Italy
Arti Group	Bavaria Arti Grafiche Italiane Holding S.p.A., Bergamo, Italy
Arti Kalendar & Promotion	Arti Kalendar & Promotion Services GmbH, Gütersloh
ASTERION	ASTERION International GmbH, Viernheim
ASTERION France	ASTERION France S.A.S., Saint-Denis, France
ASTERION Direct	ASTERION Direct S.A.S., Orvault, France
ASTERION Germany	ASTERION Germany GmbH, Viernheim
ASTERION Netherlands	ASTERION Netherlands BV, Rotterdam, Netherlands
ASTERION Belgium	ASTERION Belgium NV, Mechelen, Belgium
ASTERION Finland	ASTERION DM Finland Ab, Mariehamn, Finland
ASTERION Sweden	ASTERION Sweden AB, Sollentuna, Sweden
ASTERION Denmark	ASTERION Denmark A/S, Brøndby, Denmark
ASTERION Norway	ASTERION Norway AS, Oslo, Norway
ASTERION Italy	ASTERION Italy S.r.l., Liscate, Italy
ASTERION Spain	ASTERION DM Spain S.L., Figueruelas, Spain
BAVARIA	BAVARIA Industries Group AG, Munich
Bavaria Real Estate	Bavaria Real Estate Cirié Holding S.r.l., Cirié, Italy
BBGS	BB Government Services GmbH, Kaiserslautern
BilMoG	Accounting Law Modernisation Act
Calendars & Diaries	Calendars & Diaries International B.V., Breda, Netherlands
CARBODY	CARBODY S.A.S., Witry les Reims, France
CARBODY Tschechien	CARBODY Czech Republic s.r.o., Mlada Boleslav, Czech Republic
CARBODY Türkei	CARBODY Ottomotiv Izolasyon Sistemleri Ticaret Limited Sirketi, Istanbul, Turkey
Carbody Deutschland	Carbody Deutschland GmbH, Munich
Cobelplast	Cobelplast N.V., Lokeren, Belgium
Distriberg	Distriberg S.r.l., Bergamo, Italy
DRS	German Financial Reporting Guidelines
EGHGB	Introductory Act to the German Commercial Code
Eurogravure	Eurogravure S.p.A., Treviglio (Bg), Italy
FDI	Fonderie d´Ingrandes (prev. FDPA Fonderie du Poitou Aluminium S.A.S.), Ingrandes sur Vienne, France
GRISET	GRISET S.A.S., Villers Saint-Paul, Frankreich
Hering	Hering AG, Gunzenhausen
HGB	German Commercial Code
HGB a. F.	German Commercial Code former version
HR	Commercial Register
Johnson Diaries	Johnson Diaries Ltd., Bury St. Edmonds, Suffolk, U.K.
IDW	Institut der Wirtschaftsprüfer in Germany e.V., Düsseldorf
Inasa Foil	Inasa Foil GmbH, Munich
Inasa Sabiñánigo	Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain
Italoagendas	Italoagendas S.A., Quart de Poblet (Valencia), Spain
KStG	Körperschaftsteuergesetz
K+S	Kienle + Spiess GmbH, Sachsenheim
L&E	Langbein & Engelbracht GmbH, Bochum
L&E USA	L&E America Environmental Technologies LLC, Kaukauna, Wisconsin, USA
L&E Shanghai	Langbein & Engelbracht Industrial Eng. & Co., Shanghai, China
NIIAG	Nuovo Instituto Italiano d'Arti Grafiche S.p.A., Bergamo, Italy
OSNY	OSNY Pharma Holding S.A.S., Osny, France
Portalex	Portalex Alumínio S.A., Cacém, Portugal
Portalex France	Portalex France S.A.S., Neuilly-sur-Seine, France
Portalex Deutschland	Portalex Aluminio Deutschland GmbH, Gräfelfing
Proactis	Proactis Quartel S.A.S., Bussy Saint-Georges, France
R+E	R+E Automationstechnik GmbH, Fellbach-Schmiden
SIDES	Société Industrielle pour le Développement de la Sécurité S.A.S., Saint-Nazaire, France
TAVECCHI	TAVECCHI S.r.l., Seriate (Bg), Italy
tech-FORM	tech-FORM S.A.S., Auxi-le-Château, France
Technology Luminaires	Technology Luminaires S.A.S., Nevers Cedex, France
TEUR	Thousand EUR
TriStone Deutschland	TriStone Flowtech Germany GmbH, Frankfurt on the Main
TriStone Frankreich	TriStone Flowtech France S.A.S., Carquefou, France
TriStone Holding	TriStone Flowtech Holding S.A.S., Carquefou, France
TriStone Italien	TriStone Flowtech Italy S.p.A., Cirié, Italy
TriStone Polen	TriStone Flowtech Poland Sp. zo. o., Walbrzych, Poland
TriStone Slowakei	TriStone Flowtech Slovakia spol S.r.o., Nová Bana, Slovakia
TriStone Solution Frankreich	TriStone Flowtech Solution SNC, Carquefou, France
TriStone Spanien	TriStone Flowtech Spain S.A., Tarazona, Spain
TriStone Tschechische Republik	TriStone Flowtech Czech Republic s.r.o., Hrádek nad Nisou, Czech Republic
TriStone Türkei	TriStone Flowtech Istanbul Otomotiv Sanayi ve Ticaret Limited Sirketi, Cerkezköy, Turkey
TriStone Mexico	TriStone Flowtech MexicoS. de R.L. de C.V., Delicias, Mexico
TriStone China	TriStone Flowtech China Ltd., Suzhou, China
TriStone U.S.A.	TriStone Flowtech U.S.A. Inc., Detroit, U.S.A.
vosla	vosla GmbH, Plauen
vosLED	vosLED GmbH, Plauen

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