ANNUAL REPORT 2016

BAVARIA
Industries Group AG

Group Key Figures

(in EUR million)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GROUP											
Profit and loss											
Group turnover	332.6	409.7	485.4	403.6	638.4	749.9	686.4	616.6	674.0	785.6	722.7
EBIT (before dissolution of negative goodwill)	18.0	15.4	20.4	-34.2	-6.7	8.9	29.0	87.7	8.5	34.6	12.0
Group net result	31.5	5.2	23.2	3.6	-0.8	2.4	55.7	89.2	6.4	29.7	17.6
Balance sheet											
Equity	61.2	58.6	58.5	43.5	34.1	28.6	84.4	166.8	168.5	190.5	205.1
Equity ratio in % of total assets	26.3%	21.1%	18.2%	12.7%	7.6%	8.9%	23.6%	36.8%	26.3%	29.8%	33.9%
Total assets	232.4	277.4	321.7	342.1	448.5	323.3	357.3	452.9	640.6	638.3	605.0
Net working capital	53.3	66.8	74.4	68.0	109.4	81.0	85.8	95.5	102.6	84.2	57.9
Cash flow											
from current operations	15.5	-4.8	38.2	16.6	-22.4	15.6	41.1	11.4	35.0	31.8	18.8
from capital expenditures	-0.7	9.7	-13.2	-3.7	-33.9	-17.7	-34.8	74.6	-44.4	-14.2	-7,9
from financing	9.7	-11.2	-20.3	-12.7	35.4	-3.6	-1.9	1.5	-3.0	12.4	-4,9
TOP HOLDING COMPANY											
Profit and loss											
Turnover	2.0	3.1	3.7	4.5	4.9	3.8	4.1	4.1	4.2	4.7	4.5
EBIT	13.7	22.9	13.6	7.6	5.2	6.2	11.9	94.5	0.1	8.3	3.9
Net result	13.8	23.2	13.9	8.2	5.1	6.9	11.0	94.4	0.2	8.2	3.3
Balance sheet											
Equity	28.8	45.4	37.5	26.0	21.1	25.4	34.5	124.4	120.8	121.7	124.3
Equity ratio in % of total assets	92.6%	94.4%	93.5%	72.6%	66.1%	85.3%	88.7%	92.8%	93.4%	95.2%	95.8%
Total assets	31.1	48.1	40.1	35.8	31.9	29.8	38.9	134.1	129.3	127.8	129.8
TOTAL OF OPERATING PORTFOLIO COMPANIES											
Profit and loss											
Turnover	332.6	409.7	485.4	403.6	638.4	749.9	686.4	616.6	673.8	785.0	722.5
EBIT	11.9	5.8	2.4	-26.7	-1.9	-17.6	26.4	2.9	15.0	26.1	8.4
Net result	6.0	-13.4	-7.7	-36.0	-0.1	-40.6	5.1	-10.0	3.8	8.8	-3.4

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Dear shareholders and business associates,

To invest well means to act contrary to human nature. Humans have survived because they have learned to avoid losses and to orient themselves to the needs of the group. However, one only achieves outperformance as an investor if one acts differently from the majority and consciously takes losses into account. Ultimately, the probability that one's assessment will prove correct falls far below 100%, and the chance that a share's price will initially drop after the purchase is nearly 50%.

With the sale of TriStone, our largest holding, in February 2017, we took a major step toward reducing our risk concentration. Furthermore, due to the impending departure from the combustion engine, we anticipate substantial, long-term declines in sales for traditional automotive suppliers. Admittedly, this is increasing our investment pressure: with sales revenue of EUR 170 million, we now have over EUR 300 million available for reinvestment. Depending on the market situation, we will invest this in majority or minority stakes, including exchange-traded securities.

The way our holdings have performed operationally can be seen from an overview of the development of post-tax profits – in contrast to the significantly higher, frequently touted pre-tax earnings, only these are actually available for new investment.

(in EUR million)	2015	2016
Serial Production / Automotive	14.2	17.9
Plant Engineering & Construction	3.0	-5.2
Business Services	-8.4	-16.0
Total Holdings	8.8	-3.4
Others	16.6	22.9
Consolidation	4.3	-1.9
Group	29.7	17.6

In total, our holdings have yielded a loss of EUR -3.4 million, while in the previous year, we achieved a profit of EUR 8.8 million. Profits from series production amounted to EUR 17.9 million, after EUR 14.2 million in the previous year. Without the TriStone Group (sale completed in February 2017) and without Austria Druckguss, which was deconsolidated in April, serial production showed a profit of only EUR 0.8 million in 2016. Our assessment of the value of our holdings and liquid assets, including financial investments, can be seen in the following overview:

(in EUR million)	2015	2016	% Change
Holdings	216.3	234.8	9
Financial Assets	62.0	71.2	15
Cash	64.0	69.3	8
Balance	342.3	375.3	10

As of the end of 2016, we have assessed the value of our holdings at EUR 234.8 million, EUR 176.3 million of which could be attributed to the TriStone Group. The value of the remaining holdings amounted to EUR 58.5 million. Cash increased to EUR 69.3 million by the end of 2016, and the value of financial assets increased by 15% to EUR 71.2 million. The DAX equities index, as our benchmark, increased by 6.9% during the same period. The net value of the overall portfolio ("NAV") amounted to EUR 375.3 million, and thus EUR 70.1 per share, at the end of 2016. Out of the Group book value of EUR 278.5 million, the TriStone Group only accounted for EUR 53.7 million. The book value of the BAVARIA Group falls above the NAV after the sale, since the other holdings were acquired at prices substantially below book value.

As at 31 December 2016, our largest positions in financial assets were as follows:

(in EUR million)	Market Value	Performance	% Change
Berkshire Hathaway A	11.8	2.5	26.7
Euler Hermes Group S.A.	7.9	0.4	4.9
Brederode SA	6.7	0.3	4.9
Inv. AG TGV	6.3	0.1	1.3
Goldman Sachs	2.4	1.0	59.5
Total	35.1	4.3	13.4

In the last four years, we have achieved a cumulative return of 43.6% with our financial investments. This means that our weighted average has performed substantially better than the DAX (19.8%). Since we were only invested at 37% on average, and otherwise held cash for prudential reasons, we were only just able to keep up with the DAX in consideration of book profits from own-stock buybacks (since March 2013, we have bought back EUR 16 million shares with an average price of EUR 35.8). It is likely that we will primarily invest in exchange-listed securities in the near future, since the prices for company acquisitions are currently very high. In this context, we would like to take advantage of the opportunity to explain our investment approach in more detail.

Our returns are primarily achieved through four different strategies:

1. **Hidden gems**

   This includes investments such as the shares acquired in the period from March 2015 to February 2016 in El.En, a company that manufactures laser systems (particularly for medical applications such as tattoo removal). We acquired these shares for approximately EUR 2 million. In our opinion, the enterprise value was cheap: it amounted to less than seven times EBIT despite a return on equity of 10% and EBIT growth of approximately 8% p.a. in the last five years. Why was the EBIT multiplier so low, in spite of the company's growth? First, there was a weak phase in the market in February 2016, particularly among Italian stocks; furthermore, the official figures still did not include the sales revenue from shares of an American stock company (Cyanusure). Since then, we have sold the shares for a profit of EUR 2.64 million.

   Unfortunately, gems like this are quite rare; in hindsight, of course, we invested far too little.

2. **Cheap shares worldwide**

   Many shares worldwide are not cheap without reason, since they are subject to political and/or currency risks and are often quite cyclical. In the end, such holdings are more speculative, since thorough analysis is generally not possible. We have tried nevertheless, and on average, lost money by doing so. However, one can certainly earn money with a refined filter (free of charge and good quality, e.g. "Global FT Screener"), as our further investments have shown. For example, we have successfully filtered according to the following criteria: developed industrial countries with low EBIT multiplier (<7) and long-term high return on equity (>12%) with low debt (<50% of equity capital) at the same time. We have purchased ten such shares at regular intervals with the same weighting. We excluded real estate, banking and commodity shares, and set a specific maximum figure of shares according to country. In recent years, smaller Japanese firms have been predominant due to the fact that their cash balances are very high in international comparison, which increases their company values (market capitalization plus net cash).

If it is not possible to sufficiently assess the companies, one should, for example, simply buy shares that exceed a previously determined loss threshold (e.g. -30%); profit earners, on the other hand, should be left alone. Unfortunately, we have not always kept to this. Since we generally prefer to buy at a reduced value, it is difficult for us not to simply sell stocks of companies that have reached their fair value. We view the fair value for companies with limited growth at an EBIT multiplier of 10.

3. Quality stocks

Ideally, one only holds stocks that can achieve an excess return over the long term (e.g. ROE of 12% and above) and that simultaneously have the option of reinvesting earnings and achieving growth. Unfortunately, these equities are generally significantly over-traded. They can actually only be purchased after profit warnings or during weak phases in the market (like in February 2016 most recently). In this situation, it is recommended to make a list of interesting firms for follow-up (the internet provides the opportunity here to easily work with email notifications).

4. Holding companies

Holding companies like Berkshire Hathaway and Brederode come the closest to our own business model. This field regularly sees substantial undervaluations, since the market valuation is only based on current results and expected earnings growth. Since holding companies frequently have fluctuating earnings due to purchases and sales, these tend to be somewhat undervalued (except when they are strongly promoting their own stock). In addition to a dividend return, it is our opinion that the decisive factor is whether the company is achieving equity capital growth or growth of the net asset value per share. In this context, one should carefully review how this has been determined by the management. Interesting shares are those such as Brederode SA, which has increased its book value per share by 10.6% in the last five years until 2016, in spite of a dividend return of 1.5%. A shareholder thus achieves a return of 12%, even though the stock currently sells at a 20% discount from the book value. If the return remains achievable in the long run, a premium of 50% on the book value would be appropriate in the event of an underlying long-term market return. Another good indicator is the fact that the management of Brederode SA shares this perspective, and buys back its own stock each year (why would the management buy external stocks if they know their own much better, and it is being traded with a substantial discount?).

Our philosophy

We spend a great deal of time reflecting on life and the contribution we can make to society. For one, we believe that by providing explanations of how we earn money, we are giving you the opportunity to do the same. We also believe in making a contribution through the preservation and creation of secure employment. Furthermore, by increasing BAVARIA assets, we offer our shareholders the opportunity to do something good with the profits. It should also be pointed out that in the 2016 financial year, we again made donations for social causes. The Against Malaria Foundation and the Schistosomiasis Control Initiative (SCI) have received EUR 150,000 and EUR 50,000, respectively. As in the previous year, we thus followed the suggestion of givewell.org.

I would like to expressly thank my Executive Board colleague, Harald Ender, for his many years of activity with BAVARIA Industries Group AG: over the course of ten years, he has made an important contribution to the Group’s growth in value.

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 toward new transactions.

Yours sincerely

Reimar Scholz
Chief Executive Officer

Introduction of the Organs

Executive Board

Reimar Scholz (CEO)
Diplom-Kaufmann, 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.

Supervisory Board

Oliver Schmidt, Diplom-Kaufmann, 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 by the Supervisory Board

In financial year 2016, 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.

Business transactions subjects to approval are presented, discussed and approved by the Board of Management, in accordance with the rules of procedure for the Management 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 8 April (balance sheet meeting), 3 June and 4 October 2016 and two meetings in the form of a conference call on 15 April (consolidated financial statement) and on 8 December (budget meeting) 2016.

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 staffing of the holding company and the management of its holdings.

2. Annual and consolidated financial statement, audit

The auditor Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, elected by the Annual Shareholder Meeting on 3 June 2016 and commissioned by the Supervisory Board has audited the annual financial statements of BAVARIA Industries Group AG for financial year 2016 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 and the consolidated financial statement on 6 April 2017, 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.

As of 31 December 2016, Harald Ender left the Management Board on schedule. The Supervisory Board would like to thank Mr. Ender for his many years of successful business as a board member of BAVARIA Industries Group AG. As of 1 January 2017, Reimar Scholz leads the company as sole director.

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 2016 to the members of the

Management Board, the employees of BAVARIA Industries Group AG and the managements of the investments and their employees.

Munich, 6 April 2017

Oliver Schmidt
Chairman of the Supervisory Board

The Share

In fiscal year 2016, 16,075 shares worth EUR 0.7 million were repurchased. 261,220 own shares have been collected by BAVARIA, reducing the capital stock.

The number of treasury shares amounted to 10,000 pieces of BAVARIA Industries Group AG at the balance sheet date and thus 0.2% of the share capital.

Number of shares	5,351,294 shares
Type of shares	Individual bearer shares
Authorised capital	EUR 5,351,294.00
Voting rights	Each share confers one voting right
WKN	260555
ISIN	DE0002605557
Stock exchange code	B8A
Stock exchange segment	Basic Board
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 2016 (16.12.2016)	EUR 62.48
Lowest share price in 2016 (12.02.2016)	EUR 41.01
Closing price (30.12.2016)	EUR 61.52
Market capitalisation (30.12.2016)	EUR 328.6 million
Earnings Holding per share	EUR 0.62 (for fiscal year 2016)
Dividend per share	EUR 0.00 (for fiscal year 2016)

GROUP MANAGEMENT REPORT

I. General Environment and Operations

1. Overall Economic Environment and Market

In Germany, price-adjusted GDP grew by 1.9% in 2016, in France the economic growth was at 1.2% and in the Euro zone, GDP growth was 1.7%.

2. The BAVARIA Business Model

BAVARIA's business model encompasses the acquisition, restructuring and holding of listed and unlisted investee companies. In the course of our restructuring measures, we work with employees in the holding company as well as external managers who actively support us in our work on the spot.

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

- Target industries: manufacturing/processing or industrial services, including consumer goods and retail, but excluding real estate and financial institutions,
- Turnover more than EUR 50 million,
- Acquisition of a majority stake, by improvement turnaround potential otherwise also minority stakes.

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 securities and publicly traded companies.

The Company generated net profit in 2016 of EUR 3.3 million (prior year EUR 8.2 million).

In the 2016 financial year, BAVARIA Industries Group AG derived its financing entirely from its own equity capital as in the prior years. During the reporting year, the Company's equity capital increased from EUR 121.7 million to EUR 124.3 million as at 31 December 2016.

As of 31 December 2016, the Company had cash (excluding securities) of EUR 51.6 million (prior year EUR 35.6 million).

4. Dividend Distributions and Share Repurchases by BAVARIA Industries Group AG

By resolution of the General Shareholder Meeting on 3 June 2016, no dividends were paid out for the 2015 financial year. EUR 0.7 million was spent on share buybacks. The Company acquired 16,075 shares at an average price of EUR 44.29. The total number of own shares held as at 31 December 2016 was 10,000. The closing price at the end of the year was EUR 61.52.

II. Shareholding Portfolio Turnaround

The companies assigned to the Serial Production / Automotive segment, achieved in 2016 the highest net profit of EUR 17.9 million as in the previous year. In April 2016 Austria Druckguss has been sold, in November 2016 the sale contract of TriStone Group has been signed.

1. Serial Production / Automotive

In 2016, the Serial Production / Automotive segment achieved turnover of EUR 353.2 million (prior year EUR 372.3 million), roughly 48.9% (prior year 47.4%) of the turnover of the BAVARIA Group as a whole. Net profit increased from EUR 14.2 million to EUR 17.9 million in the same period.

Industry trends

The new registrations of passenger cars in Europe increased in 2016 by 6.8%. This also had a positive effect on the Serial Production / Automotive segment, whose sales are mostly the automotive suppliers.

Segment turnover and result

The segment turnover decreased by EUR 19.1 million, primarily due to the deconsolidations.

The largest investee company, the TriStone Group, contributed a total of EUR 247.6 million to turnover in 2016.

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 EUR 11.9 million (prior year EUR 17.1 million) in 2016. This once again significantly exceeded depreciation/amortisation, which totalled EUR 9.1 million (prior year EUR 10.2 million). All investments were carefully reviewed and appraised with a critical eye.

As at the reporting date, the segment's workforce comprised 3,776 persons, an increase of 250 employees more than in the prior year 3,526, despite the sale of Austria Druckguss.

Outlook for 2017 and beyond

ACEA (European Automotive Association) expects a slightly reduce growth rate of 5.8% in Europe in 2017.

Portfolio companies

As at 31 December 2016, the Serial Production / Automotive segment comprised the following four investee companies:

Name	Products	Customers	Turnover in EUR million	Sites	Employees
TriStone	Solutions for engine cooling, turbo charging and air intake	Automotive	247.6	13	2,986
CARBODY	Sealing and safety solutions	Automotive	51.5	6	454
Austria Druckguss*	Die-cast components	Automotive	10.0	1	0
vosla	Light sources	Automotive, Transport	44.0	1	336
Total			**353.2**	**21**	**3,776**

* Deconsolidated on 30 April 2016

2. Plant Engineering & Construction

In 2016, the Plant Engineering & Construction segment achieved turnover of EUR 102.1 million (prior year EUR 104.4 million), 14.1% (prior year 13.3%) of the turnover of the BAVARIA Group as a whole. Net profit for 2016 was EUR -5.2 million (prior year EUR 3 million). In the financial year 2016 there were no changes in the segment in the scope of consolidation.

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

The Plant Engineering & Construction segment is not very investment-intensive. On the balance sheet, the accumulation of work in progress plays a much more important role. Thus, investments totalled only EUR 1 million, primarily investments in financial assets, while depreciation/amortisation also amounted to EUR 1 million.

The number of employees for the year rose slightly to 411 (prior year 397).

Outlook for 2017 and beyond

In 2017 we expect an increase in sales at a moderate improvement in earnings.

Portfolio companies

As at 31 December 2016, 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	12.8	1	74
SIDES	Fire engines and equipment	Public Sector, Industry	43.9	1	211
BB Government Services	Construction Services	NGO, States and contracting authority	45.4	2	126
Total			102.1	4	411

3. Business Services

In 2016, the Business Services segment achieved turnover of EUR 267.3 million (prior year EUR 308.4 million), 37% (prior year 39.3%) of the turnover of the BAVARIA Group as a whole. The net loss rose from EUR -8.4 million to EUR -16.5 million. In the financial year 2016 there were no essential changes in the scope of consolidation in this segment.

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 2016 amounted to EUR 6 million (prior year EUR 7.1 million) on depreciation/amortisation of EUR 8.2 million (prior year 8.1 million).

The number of employees for the year fell to 1,828 (prior year 2,037).

Outlook for 2017 and beyond

The main challenge in this segment are declining markets and rising factor costs.

Portfolio companies

As at 31 December 2016, the Business Services segment comprised the following three companies:

Name	Products	Customers	Turnover in EUR million	Sites	Employees
ASTERION	Document Services	Industry, Financial Services	79.2	9*	738
Cobelplast NV	Packaging	Food maker	34.3	1	100
Arti Group	Printed and promotional materials	Publishing and B2B Clients	153.8	11	990
Total			267.3	21	1,828

* 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.

III. Assets, Finances and Earnings of the Group

Balance sheet ratios

The BAVARIA Group's balance sheet reduced to EUR 605 million (prior year EUR 638.3 million) as at 31 December 2016.

Asset side of the balance sheet

Fixed assets amounted to EUR 175.1 million (prior year EUR 188.7 million), thus accounting for approximately 28.9% of the balance sheet total (prior year 29.6%). Of this, EUR 126.4 million (72.2%) are tangible assets (prior year EUR 132.6 million; 70.3%) and financial assets are EUR 39.3 million (prior year EUR 43.1 million).

Current assets – excluding liquid funds – amounted to EUR 277.5 million or 45.9% of the balance sheet total (prior year EUR 299.3 million, or 46.9%). This includes inventories of EUR 86.4 million (prior year EUR 97.3 million).

Liquid resources (excluding securities) amounted to EUR 148.7 million (prior year EUR 146.5 million) as at 31 December 2016.

Liability side of the balance sheet

The Group's equity capital (including variances from capital consolidation) decreased from EUR 294 million to EUR 278.5 million. As a result, the consolidated Group's economic equity ratio remained almost unchanged 46% (prior year 46.1%). The variances on the liability side of the balance sheet represent future revenues accruing to money-losing subsidiaries.

Provisions decreased from EUR 83.9 million in the prior year to EUR 79.8 million. Of this, pension provisions amounted to EUR 22.6 million (prior year EUR 24.8 million) as at 31 December 2016.

Liabilities decreased from EUR 252.2 million in the previous year to EUR 242.7 million.

Revenues and earnings

In the 2016 financial year, the turnover of the BAVARIA Group fell to EUR 722.7 million from EUR 785.6 million in the prior year. The main contributions to turnover came from the TriStone Group with EUR 247.6 million. The former investee company (Austria Druckguss) contributed to a turnover of EUR 10 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 2016 annual Group surplus amounted to EUR 17.6 million (prior year EUR 29.7 million). In both reporting periods, the Group surplus was influenced by the following significant consolidation effects:

(in EUR million)	2016	2015
Negative variances from capital consolidation (negative goodwill)	18.2	12.0
Income from deconsolidation	4.6	4.3
Amortisation of goodwill	-2.4	-3.4
	20.3	12.9

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 205.1 million; prior year EUR 190.5 million). There are also long-term bank liabilities of EUR 38.8 million (prior year EUR 49.4 million). As of 31 December 2016, the Group had liquid resources of EUR 148.7 million (prior year EUR 146.5 million).

Financing of the operative investments was primarily obtained using financial instruments secured by fixed assets as 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

We refer to the Notes to the Consolidated Financial Statement.

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.

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.

In order to counter currency risks and compensate for negative changes in value, foreign currency derivatives are acquired in the Group. The nature and extent of the transactions are explained in the Notes.

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 reportings.

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 2016 are not yet finalized and there can be made from these still arrears.

VIII. General Forecast

Macroeconomic outlook

The IMF predicts growth of 1.5% (prior year 1.7%) in 2017 in its forecast for the German economy. For the French economy, the IMF calculates an unchanged growth of 1.3% (prior year 1.3%).

For the global economy, the IMF forecasts growth of 3.4% in 2017. The economy in the Eurozone is expected to expend by up to 1.6%, also a growth of 1.6% is forecast for 2018.

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 2017 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 2017 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 2017 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, 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 quotation, will allow us to take advantage of increased buying opportunities in the future.

Given these background conditions, it is impossible to make a definite forecast of the BAVARIA Group‘s future turnover and earnings. 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, 6 April 2017

Reimar Scholz
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENT

Consolidated Profit and Loss Account for 2016

(EUR)		31.12.2016		31.12.2015
1. Sales	722,691,963		785,585,907	
2. Increase or reduction of inventories in finished and non-finished products	-7,077,430		10,924,164	
3. Other own work capitalised	480,281		288,871	
		716,094,813		796,798,942
4. Other operating income		42,399,380		49,127,429
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-282,191,716		-313,100,618	
b) Purchased services	-81,947,086		-91,876,504	
		-364,138,802		-404,977,122
6. Personnel costs				
a) Wages and salaries	-161,577,200		-177,962,494	
b) Social insurance and other social charges and benefits	-47,628,566		-52,679,401	
		-209,205,765		-230,641,895
7. Depreciation		-21,587,113		-22,842,447
a) on intangible and tangible fixed assets	-19,191,380		-19,410,219	
b) on group level	-2,395,733		-3,432,228	
8. Other operating expenses		-133,474,297		-142,498,857
9. Income from long-term securities		1,551,664		1,575,016
10. Other interest and similar income		217,957		1,483,544
11. Interest and similar expenses		-3,721,410		-8,289,877
12. Depreciation on financial assests and on marketable securities		-510,809		-930,964
13. Taxes on income and earnings		-6,242,182		-7,328,639
14. Earnings after taxes		**21,383,437**		**31,475,130**
15. Other Taxes		-3,753,817		-1,741,807
16. Net income		**17,629,619**		**29,733,323**
17. Net profit from prior year		178,233,502		156,012,921
18. Resolution of the reserve for own shares		0		0
19. Income from the sale of treasury shares		0		0
20. Purchases of treasury stock		-711,946		-7,326,186
21. Profit relating to other shareholders		-280,957		-186,556
22. Consolidated profit		**194,870,219**		**178,233.502**

Consolidated Balance Sheet as of 31 December 2016

Assets (EUR)		31.12.2016		31.12.2015
A. FIXED ASSETS				
I. Intangible fixed assets				
1. Patents, trademarks, licenses and similar rights	2,676,273		3,389,649	
2. Goodwill	6,522,583		9,541,295	
3. Advance payments	210,741		70,436	
		9,409,597		13,001,379
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	67,098,560		71,218,120	
2. Machinery and equipment	45,938,883		49,807,538	
3. Other equipment, plant and office equipment	5,163,537		6,077,150	
4. Advance payments and construction-in-progress	8,233,705		5,542,179	
		126,434,685		132,644,988
III. Financial fixed assets				
1. Shareholding in affiliated companies	10		11	
2. Investments	56,949		61,179	
3. Long-term securities	39,082,272		42,803,536	
4. Other loans	158,369		193,688	
		39,297,600		43,058,414
		175,141,883		188,704,781
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and supplies	26,119,662		27,657,110	
2. Work-in-progress	47,210,188		56,667,267	
3. Finished products and merchandise	10,652,922		10,652,922	
4. Advanced payments	2,371,881		1,891,739	
		86,354,654		97,344,833
II. Account receivables and other assets				
1. Receivables from trade	140,400,866		155,327,889	
2. Receivables from affiliated companies	84,054		84,054	
3. Other assets	34,988,754		33,977,763	
		175,473,673		189,539,407
III. Marketable securities				
1. Shares in affiliated companies	0		0	
2. Own shares	476		0	
3. Other marketable securities	15,695,621		12,399,228	
		15,696,097		12,399,228
IV. Cash, cash equivalents and schecks		148,652,480		146,467,412
		426,176,904		445,750,879
C. PREPAID EXPENCES		3,671,200		3,829,708
D. ACTIVE DIFFERENCES FROM ASSET ALLOCATION		19,592		0
TOTAL		605,009,578		638,285,368

Equity and Liabilities (EUR)		31.12.2016		31.12.2015
A. EQUITY				
I. Issued capital		5.341.294		5.357.379
1. Subscribed capital	5.351.294		5.612.514	
2. Nominal value of treasury stock	-10.000		-255.135	
II. Capital reserve		9.648.706		9.387.486
III. Revenue reserves		15.500		260.635
1. Legal reserve	5.500		5.500	
2. Reserve for treasury stock	10.000		255.135	
IV. Consolidated profit		194.870.219		178.233.502
V. Offsetting item for holdings of other shareholders		1.141.123		845.546
VI. Difference from currency translation		-5.871.438		-3.608.040
		205.145.405		190.476.507
B. SPECIAL RESERVE		1.485.540		1.579.471
C. DIFFERENCE FROM CONSOLIDATION OF CAPITAL		73.373.739		103.522.075
D. ACCRUALS				
1. Accruals for pensions and similar commitments	22.649.912		24.760.381	
2. Tax reserve	6.632.678		6.088.808	
3. Other accurals	50.547.830		53.026.888	
		79.830.420		83.876.077
E. LIABILITIES				
1. Liabilities to banks	38.815.190		49.440.049	
2. Advanced payments received on orders	30.022.482		30.629.327	
3. Advanced payments received on orders	126.703.623		121.157.227	
4. Liabilities to affiliated companies	0		35.999	
5. Other liabilities	47.199.807		50.903.809	
		242.741.101		252.166.412
F. DEFERRED INCOME		2.433.373		6.370.976
G. DEFERRED TAXES		0		293.849
TOTAL		605.009.578		638.285.368

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	Consolida-ted profit	Group equity
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**
Net income 2016							17,630	17,630
Income from open setting of the principal amount treasury shares								0
Expenses from loss of open settling of the nominal value of treasury shares	-261,220							0
Appropriation to the reserve restricted in relation to treasury stock				16				16
Reversal of the reserve for own shares				-261				-261
Transfer to capital reserve according to § 237 para 5 AktG			261					-261
Income from capital reduction								0
Purchases of treasury stock		-16					-712	-728
Foreign currency differences					-2,263			-2,263
Shares of other partners						295	-281	14
31 December 2016	**5,351,294**	**5,341**	**9,648**	**16**	**-5,871**	**1,141**	**194,870**	**205,145**

Consolidated Statement of Cash Flows

(EUR thousands)	2016	2015
Consolidated net income ahead of extraordinary items	17,630	31,339
Earnings proportions of minority shareholders without-payment effective holdings	15	145
Depreciation on fixed asset items	21,757	22,906
Gains and losses of sales on fixed asset items	-3,662	-1,271
Write-ups on fixed assets	0	0
Changes in accruals	3,758	-4,342
Dissolution of differences from the capital consolidation	-18,156	-18,423
Gains and losses from the final consolidation of group companies	-4,586	-3,626
Other payment-ineffective changes	-1,437	-503
Gross cash flow	**15,318**	**26,225**
Change in inventories	6,487	-16,732
Change in receivables, other assets and the rest of the assets	4,589	3,072
Changes in liabilities and the rest of total equities and liabilities	-7,601	19,199
Cash flow from current operations	**18,793**	**31,764**
Payments for capital expenditure into the intangible and tangible fixed assets	-21,202	-24,185
Currency differences in fixed assets	1,673	-583
Payments from disposals of items of intangible and tangible fixed assets	1,076	2,750
Payments from disposals of items of financial assets	32,751	30,559
Payments for acquisition of group companies	0	0
Payments for capital expenditure into the financial assets	-25,602	-27,408
Net funds addition from change in scope of consolidation	3,357	4,650
Cash flow from investment activities	**-7,947**	**-14,217**
Payments for the purchase of own shares	-712	-7,326
Proceeds from borrowing of financial liabilities	0	19,754
Payouts for the financial liabilities	-4,220	0
Cash flow from financing activities	**-4,932**	**12,428**
Payment-effective change of cash and cash equivalents	5,914	29,975
Net funds addition from change in scope of consolidation	-1,466	-1,282
Currency differences	-2,263	-362
Cash and cash equivalents at start of the period	146,467	118,136
Cash and cash equivalents as of 31 December	**148,652**	**146,467**

Composition of cash and cash equivalents	**31.12.2016**	**31.12.2015**
Cash-in-hand, balances with banks	148,652	146,468
Short-term marketable securities	0	0
	148,652	**146,468**

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 Bavaria Real Estate Cirié Holding S.r.l., Cirié, Italy, was newly founded and 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 2015 are as follows:

- On 30 April 2016 Austria Druckguss GmbH & Co. KG was sold and deconsolidated.
- On 30 April 2016 Austria Druckguss GmbH was sold and deconsolidated.

The key data for the deconsolidations are shown below:

(EUR thousands)	ADG GmbH & Co. KG*	ADG GmbH*
Fixed Asstes	6,633	0
Working capital	9,312	27
- thereof liquid funds	1,439	26
Others	506	0
	16,451	**27**
Equity	1,354	25
Accurals	4,316	1
Liabilities	10,777	0
- thereof to banks	6,405	0
Others	4	1
	16,451	**27**
Sales 2016	**9,961**	**0**
Result 2016	-566	0

* Interim financial statements on 30 April 2016

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 2016 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 2016).
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 2016 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 ten years).

Tangible assets are capitalised at acquisition cost and are depreciated on a straight-line basis over their useful life. Low-value economic assets are fully depreciated in the year of acquisition.

Financial assets are valued at acquisition cost. At their lower fair market values 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 4.01% 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

he development of fixed assets is shown below:

	Acquisition and manufacturing costs						
(EUR thousands)	01.01.2016	Additions	Disposals	Reclassi-fications	Currency translations	Changes in scope of consoli-dation	31.12.2016
I. Intangible assets							
1. Patents, trademarks, licenses & similar rights	9,097	1,046	89	177	3	-1,421	8,813
2. Goodwill	21,113	7	97	0	0	0	21,023
3. Prepayments on account	71	208	0	-68	0	0	211
	30,281	**1,261**	**186**	**109**	**3**	**-1,421**	**30,046**
II. Fixed assets							
1. Land and buildings	86,318	3,819	0	303	-598	-3,969	85,873
2. Technical plant and machinery	67,973	6,111	7,978	4,182	-704	-6,994	62,591
3. Other equipment, office and plant	13,574	1,437	637	184	-64	2	14,497
4. Advance payments/ construction in progress	5,556	8,574	408	-4,778	-326	-370	8,248
	173,421	**19,940**	**9,023**	**-109**	**-1,691**	**-11,330**	**171,209**
III. Financial investments							
1. Investments	61	5	9	0	0	0	57
2. Long-term securities	42,867	25,569	29,121	0	0	0	39,316
3. Other loans	194	27	62	0	0	0	159
	43,122	**25,602**	**29,192**	**0**	**0**	**0**	**39,532**
	246,825	**46,803**	**38,401**	**0**	**-1,688**	**-12,751**	**240,788**

	Abschreibungen								Buchwerte	
(EUR thousands)	01.01.2016	Additions	Apprecia-tions	Disposals	Reclassi-fications	Currency transla-tions	Changes in scope of consoli-dation	31.12. 2016	31.12. 2016	31.12. 2015
I. Intangible assets										
1. Patents, trademarks, licenses & similar rights	5,707	1,672	0	51	0	0	-1,192	6,136	2,677	3,390
2. Goodwill	11,571	2,928	0	0	0	0	0	14,499	6,523	9,541
3. Prepayments on account	0	0	0	0	0	0	0	0	211	71
	17,278	**4,600**	**0**	**51**	**0**	**0**	**-1,192**	**20,635**	**9,410**	**13.002**
II. Fixed assets										
1. Land and buildings	15,100	4,253	0	0	0	0	-578	18,775	67,098	71,218
2. Technical plant and machinery	18,166	10,710	0	7,812	0	-13	-4,398	16,652	45,939	49,807
3. Other equipment, office and plant furnishings	7,497	2,010	0	275	0	-1	103	9,333	5,164	6,077
4. Advance payments/ construction in progress	14	14	0	0	0	0	-14	14	8,234	5,542
	40,777	**16,987**	**0**	**8,088**	**0**	**-14**	**-4,887**	**44,774**	**126,435**	**132,643**
III. Financial investments										
1. Investments	0	0	0	0	0	0	0	0	57	61
2. Long-term securities	64	170	0	0	0	0	0	233	39,081	42,804
3. Other loans	0	0	0	0	0	0	0	0	158	194
	64	**170**	**0**	**0**	**0**	**0**	**0**	**233**	**39,297**	**43,059**
	58,118	**21,757**	**0**	**8,139**	**0**	**-14**	**-6,079**	**65,642**	**175,142**	**188,704**

Intangible assets

Goodwill changed as follows during the financial year:

2016					2015				
Increase	Decrease	Group change	Amortised	Book value	Increase	Decrease	Group change	Amortised	Book value
7	97	0	2,928	6,523	0	0	235	3,433	9,541

The Group's consolidated goodwill as at 31 December 2016 was attributable mainly to companies of the ASTERION Group (TEUR 751) and BB Government Services GmbH (TEUR 5,771). The remaining average amortisation period for consolidated goodwill is roughly three years.

A useful life of ten years is applied to goodwill acquired before 1 January 2010. This ten 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

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 170.

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 31.12.2016	Market value (EUR) as at 31.12.2016	Loss from rate development (EUR)	Loss from rate development (%) as at 31.21.2016
Banks and Insurance Companies	7,233	791,577.71	740,369.88	-51,207.83	-6.5

Geographic distribution

The geographic distribution of fixed assets is as follows:

31.12.2016 (EUR thousands)	Germany	European Union	Total
Intangible assets	6,221	3,189	9,410
Tangible assets	10,879	115,556	126,435
Financial assets	39,245	52	39,297
	56,345	118,797	175,142

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

Current assets (working capital)

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

(EUR thousands)	31.12.2016	31.12.2015
Raw materials and supplies	26,120	27,657
Work in progress	47,210	56,667
Finished goods and merchandise	10,653	11,129
Payments on account	2,371	1,892
Trade receivables	140,485	155,561
Other assets	34,989	33,978
	261,828	286,884

"Other assets" includes TEUR 22,199 in receivables from the tax.

"Trade receivables" includes accounts receivable with a remaining term of more than one year totalling TEUR 25. "Other assets" includes assets with a remaining term of more than one year totalling TEUR 4,830.

Equity capital

1. Share capital

The share capital amounts to EUR 5,341,294.00 at 31 December 2016. It has been fully paid in and consists of 5,341,294 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:

- The shares may be used to introduce Company shares to foreign stock exchanges on which they are not yet listed.
- They 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.
- Sie können auch - unter Wahrung des Gleichbehandlungsgrundsatzes (§ 53a AktG) - wieder über die Börse, eine börsenähnliche Einrichtung oder Handelsplattform, mittels eines an alle Aktionäre der Gesellschaft gerichteten öffentlichen Kaufangebots bzw. mittels einer an alle Aktionäre der Gesellschaft gerichtete öffentliche Aufforderung zur Abgabe von Verkaufsangeboten verkauft werden.

As at 31 December 2016, 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 261,220 own shares (of which 78,766 were acquired in 2014, 166,369 in 2015 and 16,075 in 2016) acquired.
- Of the total of 271,220 own shares acquired, 261,220 were withdrawn in connection with the agreed capital reduction in November 2016. The remaining 10,000 shares of our own shares remain deposited at our designated sponsor as securities lending.

These repurchased shares amount to a total of EUR 10,000 or 0.2% of equity capital.

Share repurchases in 2016 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 16	4,005	0.07	43.01	172,243.37	249,150	4.44
Feb 16	1,648	0.03	42.91	70,712.46	250,798	4.47
Mar 16	10,422	0.19	45.00	468,990.00	261,220	4.65
Apr 16	0.00	0.00	0.00	0.00	261,220	4.65
May 16	0.00	0.00	0.00	0.00	261,220	4.65
Jun 16	0.00	0.00	0.00	0.00	261,220	4.65
Jul 16	0.00	0.00	0.00	0.00	261,220	4.65
Aug 16	0.00	0.00	0.00	0.00	261,220	4.65
Sep 16	0.00	0.00	0.00	0.00	261,220	4.65
Oct 16	0.00	0.00	0.00	0.00	261,220	4.65
Nov 16	0.00	0.00	0.00	0.00	0.00	0.00
Dec 16	0.00	0.00	0.00	0.00	0.00	0.00

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 9,648,706.00.

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 2015	255
Inclusion of own shares acquired in current year (stated at nominal value)	16
Resolution educated reserve because of the entry of own shares	-261
Reserve due to own shares as of 31 December 2016	**10**

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 2015 and 2016 financial years, this item changed as follows:

2016					2015			
Increase	Reversal	Profit-neutral adjustment	Decon-solidation	Book value	Increase	Reversal	Profit-neutral adjustment	Book value
0	18,141	-9,951	1,658	73,374	0	11,971	-17,922	103,522

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)	31.12.2016	31.12.2015
Pension provisions	22,650	24,760
Tax provisions	6,633	6,089
Other provisions	50,547	53,027
	79,830	**83,876**

Pension provisions

As at the reporting date, the amount needed to cover pension obligations amounted to TEUR 22,650 (prior year TEUR 24,760).

Other provisions

Other provisions consisted mainly of personnel-related obligations (TEUR 22,479), litigation risks (TEUR 4,242), outstanding invoices (TEUR 5,634), warranty obligations (TEUR 1,806) as well as restructuring measures (TEUR 1,031).

Liabilities

(EUR thousands)	31.12.2016	31.12.2015
Liabilities to banks	38,815	49,440
Advance payments received for orders	30,022	30,629
Trade liabilities	126,704	121,157
Liabilities to affiliated companies	0	36
Other liabilities	47,200	50,904
	242,741	**252,166**

The term structure of liabilities is summarised below:

31.12.2016 (EUR thousands)	< 1 year	1-5 years	> 5 years	Total
Liabilities to banks	18,478	20,337	0	38,815
Advance payments received for orders	29,627	0	395	30,022
Trade liabilities	126,371	333	0	126,704
Liabilities to affiliated companies	0	0	0	0
Other liabilities	43,840	3,324	36	47,200
	218,316	**23,994**	**431**	**242,741**

31.12.2015 (in TEUR)	< 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**

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 2016 was a credit in the amount of TEUR 172.

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 264 for its assurance of imports and loans as at 31 December 2016.

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 one 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 48,931 (prior year TEUR 45,745).

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

(EUR thousands)	31.12.2016	31.12.2015
Term		
< 1 year	26,520	36,361
1-5 years	10,441	6,819
> 5 years	11,970	2,565
Total	48,931	45,745

TEUR 10,916 of these financial obligations is attributable to purchase commitments arising from the order backlogs of Group companies (prior year TEUR 9,879).

Auditors‘ fees

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

2016

(EUR thousands)	gesamt Konzernprüfer
Fee for audit of the 2016 financial statements	88
Fee for other audits in 2016	
Fee for tax consulting in 2016	
Fee for other auditor servises in 2016	
Total	88

2015

(EUR thousands)	gesamt Konzernprüfer
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

Transactions not appearing on the balance sheet

Factoring

Six subsidiaries in the BAVARIA Group use factoring as a financing tool. The total scope of such factoring amounts to roughly EUR 24 million, of which EUR 19 million had been used up to 31 December 2016. 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 2016, one of Group companies held currency forwards in the amount of TUSD 600 maturing in 2017. The market value of the forward transaction was positive at TEUR 0 based on changes in the forward exchange rates.

At 31 December 2016, BAVARIA Industries Group AG had entered into arbitrage deals to hedge exchange rate risks in the amount of TEUR 5,000. 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.

Pension provisions

The average market interest rate for the past ten years was 4.03% for discounting.

Compared to the cash value of a seven year discount, a difference of EUR 4.1 million is recognized as a dividend in accordance to § 253 paragraph 6 of the German Commercial Code (HGB).

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)	2016	2015
European Union (except Germany)	459,605	494,559
Germany	165,776	193,978
Europe, other	10,401	13,151
America	34,669	27,391
Asia	26,136	27,566
Africa	13,958	23,413
Other	12,147	5,528
	722,692	785,586

Other operating revenues

Other operating revenues can be broken down as follows:

(EUR thousands)	2016	2015
Gains from the sale of securities and financial market transactions	5,282	11,999
Gains from the reversal of negative goodwill	18,156	11,971
Gains from currency translations	1,263	1,502
Gains from the reversal fo provisions	3,487	4,083
Gains from value adjustments	175	2,066
Gains from abatement of liabilities	1,084	2,145
Revenues from subsidies	319	472
Revenues from subsidies	109	202
Gains from the disposal of fixed assets	287	827
Gains from debt consolidation	62	19
Gains from deconsolidation of shareholdings in affiliated companies	4,586	4,328
Other	7,589	9,513
	42,399	49,127

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 5,282 (prior year TEUR 11,999). This is offset by other operating expenses from the sale of securities and financial market transactions of TEUR 2,571 (prior year TEUR 8,351).

Materials expense

In the 2016 financial year, materials expense amounted to TEUR 364,139 (prior year TEUR 404,977).

Personnel expense

Personnel expense decreased as follows year-on-year:

(EUR thousands)	2016	2015
Wages and salaries	161,577	177,963
Social contributions and pension costs, of which: TEUR 1,098 for pensions (prior year TEUR 1,136)	47,629	52,679
	209,206	230,642

Depreciation / amortisation

There was unscheduled depreciation/amortisation on the financial assets of TEUR 170 (prior year TEUR 64) during the financial year.

Other operating expenses

(EUR thousands)	2016	2015
Repair and maintenance	20,798	22,604
Packing and freight	18,216	20,758
Costs of temporary personnel	17,172	15,849
Rentals and leasing	11,803	12,870
Attorney/notary fees and court costs	7,004	5,951
IT expence	6,216	6,502
Administrative costs	5,968	6,698
Third-party services, insurance and premiums	5,890	6,884
Travel and lodging	4,197	4,174
Expenses from the sale of securities and financial market transactions	2,571	8,351
Value adjustments	2,530	1,264
Losses from currency translation	2,294	1,449
Comissions	2,220	3,348
Miscellaneous personnel costs	2,094	2,537
Management consulting costs	1,942	1,794
Warranties and guarantees	1,593	2,298
Advertising	1,113	1,204
Bad reseivables	406	114
Miscellaneous	19,447	17,148
	133,474	142,499

Net interest income

(EUR thousands)	2016	2015
Interest income and similar revenue, of which: from affiliated companies TEUR 1 (prior year TEUR 1)	218	1,484
Interest expense and similar costs, of which: to affiliated companies TEUR 0 (prior year TEUR 0)	3,721	8,290
	-3,503	-6,806

Interest expenses in 2016 were attributable mainly to the TriStone Group and the Arti Group as well as the ASTERION Group, CARBODY S.A.S. and vosla GmbH.

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 4.7 million (prior year EUR 8.3 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 2.5 million (prior year EUR 1.3 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 2016: TriStone Group, CARBODY Group and vosla,
- In 2015: 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 2016: BB Government Services, Hering and SIDES S.A.S.,
- In 2015: BB Government Services, Hering 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 2016: Arti Group, Cobelplast and ASTERION Group,
- In 2015: 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:

31.12.2016 (EUR thousands)	Serial Production / Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
Sales						
with external third parties	353,166	102,058	267,325	24	120	722,692
with group companies	0	0	0	4,010	-4,010	0
Profit and Loss Statement						
Segment net income	17,939	-5,249	-16,045	22,862	-1,878	17,630
Financial result included therein	1,687	-128	1,207	-22,594	22,379	2,551
Taxes included therein	5,964	1,292	1,700	1,040	0	9,996
EBIT	25,591	-4,085	-13,139	1,307	20,501	30,177
Depreciation included therein	9,088	970	8,243	3,413	-215	21,499
EBITDA	34,679	-3,114	-4,896	4,720	20,287	51,675
Balance Sheet						
Total assets	186,026	93,869	204,789	227,710	-107,385	605,010
Investments in fixed assets	11,875	965	5,974	2,533	0	21,347
Liabilities and provisions	115,906	73,521	133,548	67,460	-65,430	325,005
Liquid funds (without short term securities)	25,085	12,860	32,998	77,709	0	148,652
Financial liabilities to third parties	20,965	6,311	6,782	4,757	0	38,815
Net liquidity	4,121	6,549	26,216	72,951	0	109,837
Employees	3,776	411	1,828	8	0	6,023

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

31.12.2015 (EUR thousands)	Serial Production / Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
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 to third parties	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**

The stated number of employees was valid as at 31 December 2016 and 31 December 2015.

Arriving at the consolidated group figures

2016 segment results

The reversal of negative goodwill (EUR 18.1 million) and goodwill amortisation (EUR 0.5 million) within the sub-groups were allocated to the consolidated column.

Other non-cash items 2016

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

Segment assets and debts in 2016

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

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.

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, Degree in Business Administration (Diplom Kaufmann), Landsberg, Germany, Head of Operations (Chief Operating Officer) until 31 December 2016.

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 was 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 2 (prior year TEUR 10) 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 2016 amounted to TEUR 1,834 (prior year TEUR 1,849).

Employees

The total workforce of the companies included in the scope of consolidation as at 31 December 2016 numbered an average of 6,023 persons during the year (prior year 5,969 employees).

The BAVARIA Group's workforce developed as follows:

	2016	2015
Industrial workers	3,765	3,599
Employees	2,218	2,303
Trainees	40	67
	6,023	**5,969**

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.

Events after the balance sheet date

In February 2017 TriStone Flowtech Group has been sold. The selling price was EUR 170 million.

The TriStone Flowtech Group has a share of EUR 135.2 million in the consolidated balance sheet total a share of EUR 247.6 million in the Group's sales revenues.

Since February 2017, vosla GmbH has been restructured in its own administrative process.

vosla GmbH has a share of EUR 17.4 million in the consolidated balance sheet total, a share of EUR 6.4 million in Group equity and a share of EUR 44 million in consolidated sales as well as EUR -0.4 million in Group profit.

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				124,297	3,307	
Schedule of shareholdings						
BAVARIA Industriekapital AG (prev. BAVARIA Industriekapital II AG), Munich	(1) EUR	100.00		35	-1	
Hering Wärmetauscher Holding AG, Munich	(1) EUR	75.00		743	146	
Hering AG, Gunzenhausen	(1) EUR		71.06	2,981	795	
Nevira Vermögensverwaltung AG, Munich	(1), (5) EUR	78.00		-317	0	
BAVARIA Maschinenbau Holding II AG, Munich	(1) EUR	97.50		56	1	
Verwaltungsgesellschaft 0906 mbH, Munich	(1) EUR	100.00		74	8	
Blitz 05-316 GmbH & Co. KG, Munich	(1) EUR	100.00		-1,858	-12	
Bavariaring 0906 GmbH, Munich	(1) EUR	100.00		5,705	5,406	
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		-444	-7	
baikap Holding 020607 GmbH, Gräfelfing	(1) EUR	100.00		-16	-2	
EMS Holding Bavaria GmbH, Gräfelfing	(1) EUR	100.00		-296	-9	
Pharma Holding Bavaria GmbH, Munich	(1) EUR	100.00		6	0	
Bavaria France Holding S.A.S., Neuilly-sur-Seine, France (prev. Fonderies Aluminium de France S.A.S.)	(2) EUR		100.00	13,121	2,848	
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	14	-81	
Baikap Trust Holding GmbH & Co.KG (prev. K+S Holding GmbH & Co. KG), Munich	(1) EUR		94.80	-81	-7	
Die-Cast Holding Bavaria GmbH, Munich	(1) EUR	100.00		2,631	3,573	
baikap Holding 061108 GmbH, Munich	(1) EUR		100.00	18	-1	
baikap Holding 070309 GmbH, Munich	(1) EUR	100.00		-47	-1	
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	(6) EUR		100.00	-	-	
Austria Druckguss GmbH, Gleisdorf, Austria	(6) EUR		100.00	-	-	
baikap Holding 090709 GmbH, Munich	(1) EUR	100.00		28	-2	
BAVARIA Purchasing Group GmbH (prev. baikap Holding 100709 GmbH), Munich	(1) EUR	100.00		130	-29	
Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain	(4), (5) EUR		100.00	-	-	
INASA Foil S.A., Irurtzun near Pamplona, Spain	(4), (5) EUR		100.00	-	-	
baikap Holding 110510 GmbH, Munich	(1) EUR	100.00		-2,454	-45	
baikap Holding 120510 GmbH, Munich	(1) EUR	100.00		-1,656	-31	
TriStone Flowtech Holding S.A.S., Carquefou, France	(2) EUR		100.00	21,876	6,750	
TriStone Flowtech Slovakia spol Sro, Nová Bana, Slovakia	(2) EUR		100.00	7,419	933	
TriStone Flowtech Poland Sp zoo, Walbrzych, Poland	(2) PLN		100.00	78,227	25,404	0.22640
TriStone Flowtech France S.A.S.,Carquefou, France	(2) EUR		100.00	198	17	
TriStone Flowtech Czech Republic s.r.o, Hrádek nad Nisou, Czech Republic	(2) CZK		100.00	321	123	0.03699
TriStone Flowtech Istanbul Otomotive SVTLS, Çerkezköy, Turkey	(2) TRY		100.00	19,959	1,207	0.26916
TriStone Flowtech Italy S.p.A., Ciriè, Italy	(2) EUR		100.00	12,439	3,000	

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	839	-158	
TriStone Flowtech Spain S.A.U., Tarazona Spain	(2) EUR		100.00	995	466	
TriStone Flowtech Solutions SNC, Carquefou, France	(2) EUR		100.00	-1,307	129	
TriStone Flowtech Mexico S. de R.L. de C.V., Delicias, Mexico	(2) MXN		100.00	48,382	23,554	0.04586
TriStone Flowtech China Ltd., Suzhou, China	(7) CNY		100.00	9,097	-8,313	0.13656
TriStone Flowtech USA Inc., Detroit, USA	(3) USD		100.00	84	49	0.94901
baikap Holding 130810 GmbH, Munich	(1) EUR	100.00		-1,661	-1,313	
baikap Holding 140810 GmbH, Munich	(1) EUR	100.00		339	-131	
baikap Holding 150911 GmbH, Munich	(1) EUR	100.00		4,914	-74	
baikap Holding 160911 GmbH, Munich	(1) EUR	100.00		-87	-102	
Bavaria Luminaires Holding S.A.S., Nanterre, France	(3) EUR		100.00	-615	-840	
CARBODY S.A.S., Witry-les-Reims, France	(2) EUR		100.00	9,132	967	
CARBODY Czech Republic s.r.o., Mlada Boleslav, Czech Republic	(2) CZK		100.00	36,180	7,173	0.03699
CARBODY Otomotiv Izolasyon Sistemleri Ticaret Limited Sirketi, Istanbul, Turkey	(3) TRY		100.00	996	145	0.26916
Carbody Deutschland GmbH, Munich	(2) EUR		100.00	21	5	
vosla GmbH, Plauen	(2) EUR		100.00	8,523	902	
vosLED GmbH, Plauen	(4) EUR		100.00	-49	-64	
ASTERION International GmbH (ehemals baikap Holding 170812 GmbH), Viernheim	(1) EUR	100.00		-1,634	-515	
ASTERION France S.A.S., Saint Denis, France	(2) EUR		100.00	4,411	210	
ASTERION Direct S.A.S., Orvault, France	(2) EUR		100.00	-1,253	-455	
ASTERION Germany GmbH, Viernheim	(2) EUR		100.00	3,910	1,805	
ASTERION Netherlands BV, Rotterdam, Netherlands	(2) EUR		100.00	-376	-376	
ASTERION Belgium NV, Mechelen, Belgium	(2) EUR		100.00	-264	-1,391	
ASTERION DM Finland Ab, Mariehamn, Finland	(2) EUR		100.00	525	107	
ASTERION Sweden AB, Sollentuna, Sweden	(2) SEK		100.00	16,932	2,786	0.10440
ASTERION Denmark A/S, Brøndby, Denmark	(2) DKK		100.00	2,676	2,330	0.13451
ASTERION Norway AS, Oslo, Norway	(6) NOK		100.00	-	-	-
ASTERION Italy S.r.l., Liscate, Italy	(2) EUR		100.00	258	-106	
baikap Holding 180812 GmbH, Munich	(1) EUR	100.00		4,443	-231	
Société Industrielle pour le Développement de la Sécurité S.A.S., Saint-Nazaire, France	(2) EUR		100.00	16,170	-56	
baikap Holding 190913 GmbH, Munich	(1) EUR	100.00		111	-1	
baikap Holding 200913 GmbH, Munich	(1) EUR	100.00		65	-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	1,983	335	
baikap Holding 210814 GmbH, Munich	(1) EUR	100.00		22	-1	
baikap Holding 220814 GmbH, Munich	(1) EUR	100.00		22	-1	
Cobelplast N.V., Lokeren, Belgium	(2) EUR		100,00	7,785	-489	

(1) Unaudited annual report for 31 December 2016 pursuant to German Commercial Code (HGB).
(2) Audited annual report for 31 December 2015 pursuant to local accounting principles.
(3) Unaudited annual report for 31 December 2015 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 as of 31 December 2016.
(7) Audited annual report for 31 December 2015 pursuant to German Commercial Code (HGB).

All Numbers in Local Currency (1,000s)	Currency	Share of equity in %		Equity	Net income	Exchange Rate
		direct	indirect			
Bavaria Arti Grafiche Italiane Holding S.p.A., Bergamo, Italy	(2) EUR		100.00	69	7	
Nuovo Istituto Italiano d'Arti Grafiche S.p.A., Bergamo, Italy	(2) EUR		100.00	75,754	-3,783	
Eurogravure S.p.A., Treviglio (Bg), Italy	(2) EUR		100.00	2,632	-8,105	
Distriberg S.r.l., Bergamo, Italy	(8) EUR		100.00	-	-	
Arti Grafiche Johnson S.p.A., Seriate (Bg), Italy	(2) EUR		100.00	391	-4,609	
Arti Kalendar & Promotion Services GmbH, Gütersloh	(7) EUR		100.00	11,713	-1,564	
Proactis Quartel S.A.S., Bussy Saint-Georges, France	(2) EUR		100.00	659	39	
TAVECCHI S.r.l., Seriate (Bg), Italy	(2) EUR		100.00	407	24	
Johnson Diaries Ltd., Bury St. Edmonds, Suffolk, UK	(2) GBP		100.00	115	-144	1.16735
Italoagendas S.A., Quart de Poblet (Valencia), Spain	(2) EUR		100.00	859	-240	
Calendars & Diaries International B.V., Breda, Netherlands	(2) EUR		100.00	139	-78	
Bavaria Real Estate Cirié Holding S.r.l., Cirié, Italy	(1) EUR	100.00		1,739	-21	

(1) Unaudited annual report for 31 December 2016 pursuant to German Commercial Code (HGB).
(2) Audited annual report for 31 December 2015 pursuant to local accounting principles.
(3) Unaudited annual report for 31 December 2015 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 as of 31 December 2016.
(7) Audited annual report for 31 December 2015 pursuant to German Commercial Code (HGB).
(8) Integrated/Merged in 2015 with other Group company.

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 in the individual financial statement for the period from 1 January to 31 December 2016 amounted to EUR 3,307,203.13 (prior year net profit of EUR 8,225,927.17).

Taking into account the profit carried forward from the previous year in the amount of EUR 106,696,076.33 and the expenses of EUR 711,945.83 for acquiring treasury shares in the year under review, this resulted in net retained profits of EUR 109,291,333.63 as at 31 December 2016.

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 109,291,333.63 be carried forward in full.

Munich, 6 April 2017

Reimar Scholz
Chief Executive 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 2016 to 31 December 2016. 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, according with the legal requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 6 April 2017

Roever Broenner Susat Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Christian Schönhofer
German Public Auditor

Maria Link
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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