



BAVARIA Industries Group AG
Munich

Half-Year Report as of 30 June 2018

Table of Contents

Letter to the Shareholders	3
Group Key Figures	5
The Share	6
Group Management Report.....	7
Shareholding Portfolio	7
Significant Events after the Reporting Date	7
Consolidated Profit and Loss Account 1 January – 30 June 2018	8
Consolidated Balance Sheet as of 30 June 2018	9
Notes on the Half-Year Report	11
Balance Sheet Accounting and Valuation Methods.....	11
Scope of Consolidation.....	11
Notes to Individual Balance Sheet Items	12
List of Share Ownership as of 30 June 2018	14
Financial Calendar	15
Imprint	15

Letter to the Shareholders

August 2018

Dear shareholder, dear business associate,

In the first half of the year, we sold the ASTERION Group to Exela for a net amount of EUR 15 million and Arti Grafiche to the Italian printing group AGH S.p.A. for a more symbolic consideration.

As of 30 June 2018, we estimate the value of our direct investments at EUR 20 million. The market value of our stocks was EUR 139 million, a non realised gain of EUR 27 million on the EUR 112 million spend on them. The cash and cash equivalents in the holding the intermediate companies amounted to EUR 154 million. With EUR 46 million due from the tax authorities, EUR 200 million is available for reinvestment. The net value of our total financial portfolio was EUR 359 million - a decline of 0.6% compared to the end of 2017. The DAX fell 4.7% during the same period. The net value per share remains virtually unchanged at EUR 71.

Our financial portfolio has developed as follows in the last 12 months:

(EUR million)	30.06.2017	31.12.2017	30.06.2018
Shares	118	145	139
Cash*	211	181	200
Direct Investments	34	35	20
Total	363	361	359

*As of 30 June 2018, including EUR 46 million tax receivables

Our five largest securities positions changed as follows in the first half of the year:

(EUR million)	31.12.2017	30.06.2018
Inv. AG TGV	11.2	12.7
Berkshire Hathaway	12.6	12.3
Ryman Healthcare	10.5	11.6
Brederode SA	9.9	11.2
Summerset Group Holdings	7.7	10.5
Balance	51.9	58.3

On balance, our five largest positions rose 12%. At the heart of our investment philosophy is capital preservation, therefore we will continue to invest cautiously.

We value openness and would be pleased to receive any suggestions for improvement or ideas for future transactions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Reimar Scholz', with a stylized initial 'R' and a long horizontal stroke.

Reimar Scholz
Executive Board

Group Key Figures

	2017		2018
	1st HY	2nd HY	1st HY
Key earnings figures in EUR million			
Group Turnover	205.8	146.0	69.1
Group net income	109.3	5.3	19.0
-thereof dissolution of negative goodwill and deconsolidation result	125.3	8.6	8.8
Key balance sheet figures in EUR million			
Equity	318.8	309.2	328.2
Total assets	518.1	329.3	386.7
Total fixed assets	155.3	108.7	89.9
Cash and cash equivalents	238.9	186.8	165.6

The Share

Number of shares	5,060,548 shares
Type of shares	Individual bearer shares
Authorised capital	EUR 5,060,548.00
Voting rights	Each share confers one voting right
WKN	260 555
ISIN	DE0002605557
Stock exchange code	B8A
Stock exchange segment	Basic Board
Fiscal year	Equivalent to the calendar year
Accounting presentation	As per German Commercial Code (HGB)
Designated Sponsor	M. M. Warburg & CO
Announcements	Elektronischer Bundesanzeiger (Electronic Federal Gazette)
Top share price in 2018 (19.04.2018)	EUR 62.00
Lowest share price in 2018 (07.02.2018)	EUR 56.00
Closing price (30.06.2018)	EUR 57.50
Market capitalisation (30.06.2018)	EUR 290.9 million
Earnings holding per share	EUR 1.21 (for fiscal year 2017)
Dividend per share	EUR 0.00 (for fiscal year 2017)

On 30 June 2018 BAVARIA Industries Group AG held a total of 2,102 of its own shares. Since the beginning of the year, 1,301 shares were repurchased for a total of TEUR 74 as authorised by the Annual General Meeting of 28 May 2014.

Group Management Report

Shareholding Portfolio

Name	Products	Customers	1 st HY Turnover in EUR million	Sites	Employees
CARBODY	Sealing and safety solutions	Automotive	28.8	6	456
Cobelplast NV	Packaging	Food Manufacturers	18.8	1	97
Hering	Tube bundle heat exchangers	Industry	5.8	1	77
Total			53.4	8	630

Continued Investments

Turnover and earnings

Net income of the operative investments amounted to EUR 1.8 million in the first half of 2018, a year-on-year increase of EUR 11.5 million.

Investments, depreciation and personnel changes

Investments in the operative companies amounted to EUR 1.0 million in the first half of 2018 (previous year EUR 4.8 million), while depreciation totalled EUR 1.2 million (previous year EUR 5.3 million). The number of employees decreased due to the disposals from 1,917 to 630.

Significant Events after the Reporting Date

No significant events occurred after the balance sheet date.

Consolidated Profit and Loss Account 1 January – 30 June 2018

	30 June 2018		30 June 2017	
	TEUR	TEUR	TEUR	TEUR
1. Sales	69,075		205,760	
2. Increase or reduction of inventories in finished and non-finished products	2,069		13,552	
3. Own work capitalized	<u>0</u>		<u>0</u>	
		71,144		219,312
4. Other operating income		19,358		130,449
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-31,415		-88,578	
b) Purchased services	<u>-2,807</u>		<u>-24,740</u>	
		-34,222		-113,318
6. Personnel costs				
a) Wages and salaries	-17,140		-52,948	
b) Social insurance and other charges and benefits pensions	<u>-5,543</u>		<u>-16,430</u>	
		-22,682		-69,378
7. Depreciation				
a) Depreciation on intangible assets of the fixed assets and property, plant and equipment	-1,784		-5,330	
b) Depreciation on concern level	<u>0</u>		<u>-796</u>	
		-1,784		-6,126
8. Other operating expenses		-12,188		-47,552
9. Income from other investments		1,676		1,420
10. Other interest and similar income		128		154
11. Interest and similar expenses		-426		-2,276
12. Depreciation on financial assets and on marketable securities		0		0
13. Profit and loss on ordinary operations		21,003		112,685
14. Taxes on income and earnings		-1,541		-1,945
15. Earnings after taxes		19,462		110,739
16. Other taxes		-459		-1,304
17. Net income		19,004		109,436
18. Net profit from previous year		293,113		194,870
19. Resolution of the reserves for own shares		0		0
20. Income from the sale of treasury shares		0		0
21. Acquisition of own shares		-74		-1,430
22. Profit relating to other shareholders		<u>-249</u>		<u>-166</u>
23. Consolidated profit		311,793		302,710

Consolidated Balance Sheet as of 30 June 2018

Assets

	30 June 2018		30 June 2017	
	TEUR	TEUR	TEUR	TEUR
A. Fixed assets				
I. Intangible assets				
1. Patents, trademarks, licenses and similar rights	238		1,101	
2. Goodwill	0		757	
3. Advance payments	0		205	
		238		2,062
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	14,127		40,818	
2. Machinery and equipment	8,802		21,117	
3. Other equipment, plant and office equipment	1,334		2,807	
4. Advanced payments and construction-in-progress	1,443		2,045	
		25,706		66,788
III. Financial assets				
1. Share in affiliated companies	0		0	
2. Investments	9		23	
3. Investment securities	63,849		82,541	
4. Other loans	127		3,840	
		63,986		86,405
		89,929		155,255
B. Current assets				
I. Inventories				
1. Raw materials and supplies	5,551		12,775	
2. Work-in-progress	3,287		4,269	
3. Finished products and merchandise	4,445		4,631	
4. Advance payments	1,147		1,277	
		14,430		22,953
II. Accounts receivable and other assets				
1. Receivables from trade	14,805		61,443	
2. Receivables from affiliated companies	0		0	
3. Other assets	55,116		21,144	
		69,921		82,587
III. Marketable securities				
1. Other marketable securities	46,563		14,756	
		46,563		14,756
IV. Cash and cash equivalents and checks		165,571		238,882
		296,485		359,177
C. Prepaid expenses		333		3,658
D. Active difference resulting from asset allocation		0		0
		386,747		518,089

Equity and liabilities

	30. Juni 2018		30. Juni 2017	
	TEUR	TEUR	TEUR	TEUR
A. Equity				
I. Issued capital		5,058		5,317
1. Subscribed capital	5,061		5,351	
2. Nominal value of treasury stock	-2		-34	
II. Capital reserve		9,939		9,649
III. Revenue reserves		8		40
1. Legal reserve	6		6	
2. Reserve restricted in relation to treasury stock	2		34	
IV. Consolidated profit		311,793		302,710
V. Offsetting item for holdings of other shareholders		1,567		1,268
VI. Difference from currency translation		-118		-229
		328,248		318,754
B. Special reserve		0		829
C. Difference from consolidation of capital		7,595		53,188
D. Accruals				
1. Accruals for pensions and similar commitments	4,826		17,218	
2. Tax reserves	618		931	
3. Other accruals	4,687		24,287	
		10,131		42,435
E. Liabilities				
1. Debt due to banks	10,856		14,048	
2. Advanced payments received on orders	2,648		1,992	
3. Trade payables	20,088		67,921	
4. Liabilities to affiliated companies	0		0	
5. Liabilities to companies in which an interest is held	60		60	
6. Other liabilities	7,067		17,935	
		40,719		101,955
F. Deferred income		0		877
G. Deferred Taxes		55		52
		<u>386,747</u>		<u>518,089</u>

Notes on the Half-Year Report

Balance Sheet Accounting and Valuation Methods

This half-year report was prepared in accordance with the applicable provisions of the *Handelsgesetzbuch* (HGB, German Commercial Code) and has not been audited. An interim report, its accounting principles or methods are the same as those used in the Consolidated Group Annual Report for the fiscal year 2017.

Scope of Consolidation

This half-year report reflects all significant subsidiaries under the control of BAVARIA Industries Group AG. Eight companies were not included in the scope of consolidation as their inclusion was not mandatory according to the *Handelsgesetzbuch* (HGB German Commercial Code).

Notes to Individual Balance Sheet Items

Goodwill from consolidation of capital

Development as of 30 June 2018 in EUR thousands:

Book value 31.12.2017	Addition	Amortization	Final consolidation	Book value 30.06.2018
250	0	0	250	70

Development as of 30 June 2017 in EUR thousands:

Book value 31.12.2016	Addition	Amortization	Final consolidation	Book value 30.06.2017
6,523	5	796	-4,975	757

Subscribed capital

On 30 June 2018 subscribed capital amounted to TEUR 5,061. The calculated nominal value of shares in circulation amounted to EUR 1.00 per share. In line with the provisions of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG, German Accounting Law Modernization Act), the calculated nominal value of own shares acquired up to the key reporting date was deducted from subscribed capital and the reserve formed in previous years for own shares was offset against retained earnings.

Net profit carried forward from previous year

By the resolution of the Annual General Meeting on 22 June 2018 the entire balance sheet profit from 2017 will be carried forward.

Difference from consolidation of capital (acquisition profits)

Development as of 30 June 2018 in EUR thousands:

Book value 31.12.2017	Addition	Dissolution	Deconsolidation	Non-effective adaption	Book value 30.06.2018
13,085	0	-87	-5,402	0	7,596

Development as of 30 June 2017 in EUR thousands:

Book value 31.12.2016	Addition	Dissolution	Deconsolidation	Non-effective adaption	Book value 30.06.2017
73,374	0	0	-19,586	-600	53,188

Other operating income

	30.06.2018	30.06.2017
	TEUR	TEUR
Deconsolidation revenues	8,686	125,279
Income from the disposal of financial assets	7,180	2,121
Exchange rate gains on company level	107	299
Income from release of badwill	87	0
Dissolution of accruals and allowances	70	730
Income from the disposal of assets	0	99
Income from investment grants	0	63
Other operating income	428	1,858
	16,558	130,449

The other operating expenses consist primarily of the income related to the investments into shares.

Other operating expense

	30.06.2017	30.06.2016
	TEUR	TEUR
Repair and maintenance	2,015	8,087
Packaging and freight	1,871	5,401
External services, insurance and contributions	1,690	4,524
IT costs (consulting, maintenance)	758	1,553
Rental expenses (buildings)	724	2,646
Leasing and other rent	592	2,393
Travel expenses	274	1,274
Commissions	110	425
Exchange rate losses	100	3,093
Administrative expenses	99	1,866
Advertisement	38	356
Others	3,914	17,487
	12,185	47,552

The other operating expenses are temporary employment and legal expenses.

List of Share Ownership as of 30 June 2018

Group parent company	Currency	Share of equity in %	
		direct	indirect
BAVARIA Industries Group AG (prev. BAVARIA Industriekapital AG), Munich			
Schedule of shareholdings			
BAVARIA Industriekapital AG (prev. BAVARIA Industriekapital II AG), Munich	EUR	100.00	
HERING Wärmetauscher Holding AG, Munich	EUR	75.00	
Hering AG, Gunzenhausen	EUR		71.06
Nevira Vermögensverwaltung AG, Munich	EUR	78.00	
BAVARIA Maschinenbau Holding II AG, Munich	EUR	97.50	
Verwaltungsgesellschaft 0906 GmbH, Munich	EUR	100.00	
Blitz 05-316 GmbH & Co. KG, Munich	EUR	100.00	
Bavariaring 0906 GmbH, Munich	EUR	100.00	
Bavaria Chemicals GmbH, Munich	EUR	75.00	
baikap Holding 010607 GmbH, Munich	EUR	100.00	
baikap Holding 020607 GmbH, Gräfelfing	EUR	100.00	
EMS Holding Bavaria GmbH, Gräfelfing	EUR	100.00	
Bavaria France Holding S.A.S., Neuilly-sur-Seine, France (prev. Fonderies Aluminium de France S.A.S.)	EUR		100.00
Fonderie d'Ingrandes, Neuilly-sur-Seine, France (prev. Fonderie du Poitou Aluminium S.A.S.)	EUR		100.00
Baikap Trust Holding GmbH & Co.KG (prev. K+S Holding GmbH & Co. KG), Munich	EUR		94.80
Die-Cast Holding Bavaria GmbH, Munich	EUR	100.00	
baikap Holding 061108 GmbH, Munich	EUR		100.00
baikap Holding 070309 GmbH, Munich	EUR	100.00	
Inasa Foil GmbH (prev. baikap Holding 080309 GmbH), Munich	(1) EUR		100.00
OSNY Pharma Holding S.A.S., Osny, France	(1) EUR		100.00
baikap Holding 090709 GmbH, Munich	EUR	100.00	
Deller Liegenschaft GmbH (prev. BAVARIA Purchasing Group GmbH), Munich	EUR	100.00	
Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain	(1) EUR		100.00
INASA Foil S.A., Iruztun near Pamplona, Spain	(1) EUR		100.00
baikap Holding 110510 GmbH, Munich	EUR	100.00	
baikap Holding 120510 GmbH, Munich	EUR	100.00	
baikap Holding 130810 GmbH, Munich	EUR	100.00	
baikap Holding 150911 GmbH, Munich	EUR	100.00	
baikap Holding 160911 GmbH, Munich	EUR	100.00	
Bavaria Luminaires Holding S.A.S., Nanterre, France	EUR		100.00
CARBODY S.A.S., Witry-les-Reims, France	EUR		100.00
CARBODY Czech Republic s.r.o., Mlada Boleslav, Czech Republic	CZK		100.00
CARBODY Otomotiv Izolasyon Sistemleri Ticaret Limited Sirketi, Istanbul, Turkey	TRY		100.00
Carbody Deutschland GmbH, Munich	EUR		100.00
baikap Sapphire GmbH (prev. ASTERION Germany GmbH), Munich	EUR	100.00	
baikap Holding 190913 GmbH, Munich	EUR	100.00	
baikap Holding 200913 GmbH, Munich	EUR	100.00	
baikap Holding 210814 GmbH, Munich	EUR	100.00	
Deller GmbH (prev. baikap Holding 220814 GmbH), Munich	EUR	100.00	
Cobelplast N.V., Lokeren, Belgium	EUR		100.00
Bavaria Arti Grafiche Italiane Holding S.p.A., Bergamo, Italy	(1) EUR		100.00
Arti Grafiche Johnson S.p.A., Seriate (Bg), Italy	(1) EUR		100.00
Arti Kalendar & Promotion Services GmbH, Gütersloh	(1) EUR		100.00
Zanica 92 s.r.l. (prev. TAVECCHI S.r.l.), Seriate (Bg), Italy	(1) EUR		100.00
Bavaria Real Estate Ciriè Holding S.r.l., Ciriè, Italy	EUR	100.00	

(1) Not consolidated pursuant to § 296 of the German Commercial Code (HGB)

Financial Calendar

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