

bmp Holding AG.

Berlin

## Balance Sheet as of 31 December 2016

### ASSETS

	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>31.12.2015</u> <u>TEUR</u>
<b>A. Fixed assets</b>				
<u>I. Intangible assets</u>				
Concessions, industrial property rights and similar rights		854.76		4
<u>II. Tangible assets</u>				
property, plant and equipment		13,912.04		0
<u>III. Financial assets</u>				
1. Shares in affiliated companies	7,002,474.80			7,489
2. Investments	0.00			10,099
3. Loans to investee companies	<u>0.00</u>	<u>7,002,474.80</u>	7,017,241.60	1,004
<b>B. Current assets</b>				
<u>I. Accounts receivable and other assets</u>				
1. Trade accounts receivable	270.00			4
2. Receivables from investee companies	65,647.77			419
3. Receivables from companies in which participations are held	4,488.89			46
4. Other assets	<u>71,187.69</u>	141,594.35		14
<u>II. Securities</u>				
1. Shares in affiliated companies	2,393,941.07			0
2. Other securities	1,683,346.78	4,077,287.85		2
<u>III. Cash on banks and cash on hand</u>		<u>26,010.67</u>	4,244,892.87	256
<b>C. Prepaid expenses</b>			2,948.11	7
			<u>11,265,082.58</u>	<u>19,344</u>

### LIABILITIES

	<u>EUR</u>	<u>EUR</u>	<u>31.12.2015</u> <u>TEUR</u>
<b>A. Shareholders` equity</b>			
<u>I. Subscribed capital</u>	20,701,174.00		20,701
<u>II. Capital reserves</u>	2,659,338.60		2,659
<u>III. Accumulated net loss</u>	<u>-16,414,507.97</u>	6,946,004.63	-8,235
<b>B. Provisions</b>			
Other provisions		83,610.29	90
<b>C. Liabilities</b>			
1. Liabilities to banks	1,193,838.62		1,091
2. Trade accounts payable	34,837.94		35
3. Other liabilities	<u>3,006,791.10</u>	4,235,467.66	3,003
thereof from taxes: 6,791.10 EUR (previous year: 7 TEUR)			
		<u>11,265,082.58</u>	<u>19,344</u>

Berlin, 25 April 2017

**Profit & Loss Statement**  
**For the Period 1 January - 31 December 2016**

	<u>EUR</u>	01.01.-31.12.15 <u>TEUR</u>
1. Sales revenue		
a) Income from disposal of investments and marketable securities	0.00	2,124
b) Income from consulting and commissions	<u>771,246.04</u>	774
2. Other operating income	691,849.73	1,411
3. Reduction in book value of investments and marketable securities	0.00	-1,811
4. Staff costs		
a) Wages and salaries	-79,826.06	-57
b) Social security contributions and costs for pensions and support	<u>-16,318.03</u>	-13
5. Depreciations		
a) Depreciation on intangible and tangible fixed assets	-3,994.49	-3
6. Other operating expenses	-2,730,450.61	-1,843
7. Income from investments	1,500.00	107
8. Interest and similiar income		
- thereof from affiliated companies: 36,156.94 EUR (previous year: 2 TEUR)	131,794.30	89
9. Depreciations on investments and marketable securities	-6,624,290.69	-408
10. Interest and similiar expenses	<u>-321,195.62</u>	<u>-75</u>
11. Result after tax	-8,179,685.43	295
12. Other taxes	-50.00	0
13. Net year loss (previous year: profit)	-8,179,735.43	295
14. Loss carried forward from previous year	<u>-8,234,772.54</u>	<u>-8,530</u>
15. Accumulated net loss	<u><u>-16,414,507.97</u></u>	<u><u>-8,235</u></u>

## Statement of Fixed Assets for Business Year 2016

	Historical costs					Accumulated depreciations					Book values		
	1/01/2016	Additions	Disposals	Transfers	31/12/2016	1/01/2016	Additions	Disposals	Appreciation	Transfer	31/12/2016	31/12/2016	31/12/2015
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>													
1. Concessions, licences and similar goodwill	20,367.28	0.00	851.81	0.00	19,515.47	16,511.74	3,000.78	851.81	0.00	0.00	18,660.71	854.76	3,855.54
	<u>20,367.28</u>	<u>0.00</u>	<u>851.81</u>	<u>0.00</u>	<u>19,515.47</u>	<u>16,511.74</u>	<u>3,000.78</u>	<u>851.81</u>	<u>0.00</u>	<u>0.00</u>	<u>18,660.71</u>	<u>854.76</u>	<u>3,855.54</u>
<b>II. Tangible assets</b>													
1. Other plant, factory and office equipment	0.00	14,905.75	0.00	0.00	14,905.75	0.00	993.71	0.00	0.00	0.00	993.71	13,912.04	0.00
	<u>0.00</u>	<u>14,905.75</u>	<u>0.00</u>	<u>0.00</u>	<u>14,905.75</u>	<u>0.00</u>	<u>993.71</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>993.71</u>	<u>13,912.04</u>	<u>0.00</u>
<b>III. Financial assets</b>													
1. Shares in affiliated companies	7,489,300.37	2,905,365.50	2,393,941.07	0.00	8,000,724.80	0.00	998,250.00	0.00	0.00	0.00	998,250.00	7,002,474.80	7,489,300.37
2. Investments	11,398,185.65	0.00	11,398,185.65	0.00	0.00	1,299,108.94	0.00	1,299,108.94	0.00	0.00	0.00	0.00	10,099,076.71
3. Loans to investee companies	1,024,006.56	375,088.55	1,399,095.11	0.00	0.00	19,537.41	1,104,557.70	1,124,095.11	0.00	0.00	0.00	0.00	1,004,469.15
	<u>19,911,492.58</u>	<u>3,280,454.05</u>	<u>15,191,221.83</u>	<u>0.00</u>	<u>8,000,724.80</u>	<u>1,318,646.35</u>	<u>2,102,807.70</u>	<u>2,423,204.05</u>	<u>0.00</u>	<u>0.00</u>	<u>998,250.00</u>	<u>7,002,474.80</u>	<u>18,592,846.23</u>
<b>Total fixed assets</b>	<u>19,931,859.86</u>	<u>3,295,359.80</u>	<u>15,192,073.64</u>	<u>0.00</u>	<u>8,035,146.02</u>	<u>1,335,158.09</u>	<u>2,106,802.19</u>	<u>2,424,055.86</u>	<u>0.00</u>	<u>0.00</u>	<u>1,017,904.42</u>	<u>7,017,241.60</u>	<u>18,596,701.77</u>

**Statement of Changes in Equity as at 31 December 2016**

	<b>Subscribed Capital</b>	<b>Capital reserves</b>	<b>Loss/profit carried forward from previous year</b>	<b>Total</b>
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Shareholders` equity as of 1 January 2016	20,701,174.00	2,659,338.60	-8,234,772.54	15,125,740.06
Net year result			-8,179,735.43	-8,179,735.43
Shareholders` equity as of 31 December 2016	20,701,174.00	2,659,338.60	-16,414,507.97	6,946,004.63
Shareholders` equity as of 1 January 2015	20,701,174.00	2,659,338.60	-8,529,356.33	14,831,156.27
Net year result			294,583.79	294,583.79
Shareholders` equity as of 31 December 2015	20,701,174.00	2,659,338.60	-8,234,772.54	15,125,740.06

**Cash Flow Statement for the Period from 1 January to 31 December 2016**

	2016		2015
	EUR	EUR	TEUR
Profit for the year (previous year: loss)		-8,179,735.43	295
+ Depreciations on financial assets and marketable securities		6,624,290.69	408
- Appreciations on financial assets and marketable securities		0.00	-96
+ Depreciations on tangible and intangible assets		3,994.49	3
- Profit from disposal of financial assets and securities		176,744.05	-431
- Profit from contribution		0.00	-1,154
		<u>-1,374,706.20</u>	<u>-975</u>
-/+ Decrease/(-) increase in trade accounts receivables and other assets	-4,826.87		-428
+/- Decrease/(-) increase in in short-term provisions	-6,801.43		-41
+/- Decrease/(-) increase in in trade accounts payable and other liabilities	4,271.32	-7,356.98	-4
<b>Cash Flow from Operations</b>		<b><u>-1,382,063.18</u></b>	<b><u>-1,448</u></b>
- Investments in other intangible and tangible assets		-14,905.75	0
+/- Shares in affiliated companies		-2,505,365.50	-4,753
- Loans to investee companies		0.00	-1,249
- Investments in holdings and securities		-375,088.55	-378
+ Cash-in from disposal of financial assets		3,944,653.39	4,173
+ Disposals of intangible and tangible assets at net book value		0.00	0
<b>Cash-Flow from Investments</b>		<b><u>1,049,293.59</u></b>	<b><u>-2,207</u></b>
- Capital increase		0.00	0
- Taking up of loans		0.00	3,000
- Change of liabilities towards banks		103,188.68	892
<b>Cash Flow from Financing</b>		<b><u>103,188.68</u></b>	<b><u>3,892</u></b>
Overall, the liquid funds has developed as followed:			
Cash Flow from Operations		<b>-1,382,063.18</b>	-1,448
Cash-Flow from Investments		<b>1,049,293.59</b>	-2,207
Cash Flow from Financing		<b>103,188.68</b>	3,892
<b>Change in liquid funds</b>		<b><u>-229,580.91</u></b>	<b><u>237</u></b>
+ Liquid funds at the beginning of business year		255,591.58	19
= Liquid funds at the end of business year		<u>26,010.67</u>	<u>256</u>

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 2016**

### **1. ACCOUNTING POLICIES**

The annual financial statements were prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) and the *Aktiengesetz* (AktG – German Stock Corporation Act). The income statement has been prepared in accordance with the total cost format.

As a listed company, bmp Holding AG (“bmp”) is considered a large corporation under section 267(3) sentence 2 HGB.

bmp Holding AG has its headquarters at Schlüterstrasse 38, D-10629 Berlin, Germany. bmp Holding AG is entered in the Commercial Register of the District Court of Berlin-Charlottenburg, Federal Republic of Germany, under the number HR-B 64 077. The balance sheet has been prepared in the form prescribed for large corporations in accordance with section 266 HGB. The income statement has been prepared in accordance with the total cost format in line with section 275(2) HGB.

#### **Intangible assets**

Intangible assets are recognised at cost less cumulative amortisation. Amortisation is recognised on a straight-line basis.

#### **Tangible assets**

Tangible assets are recognised at cost less cumulative depreciation. Depreciation is recognised on a straight-line basis.

#### **Low-value assets**

Low-value fixed assets with a cost of up to € 150 are operating expenses in the year of acquisition in accordance with section 6a (2a) sentence 4 of the *Einkommensteuergesetz* (EStG – German Income Tax Act). Low-value assets with a cost between € 150 and € 1,000 are written down on a straight-line basis over a period of five years in accordance with section 6 (2 a) EStG.

### Financial assets

Equity investments in subscribed capital are recognised at cost. Capital contribution obligations exceeding this are reported under other financial obligations.

Write-downs are recognised to carry assets at their lower fair value as at the reporting date.

### Receivables and other assets

Receivables and other assets are reported at nominal amount. Actual risks are accounted for with specific valuation allowances.

### Securities classified as current assets

Securities classified as current assets are recognised at cost. Where necessary, they are written down to the lower fair value in accordance with section 253(3) HGB.

### Prepaid expenses and deferred income

Expenses paid before the reporting date are reported as prepaid expenses if they relate to expenses for a certain time after this date. Income is reported as deferred income if it represents income for a certain time after the reporting date.

### Other provisions

Provisions are recognised for uncertain obligations at the settlement amount deemed necessary in line with prudent business judgement.

### Liabilities

Liabilities are reported at settlement amount.

### Foreign currency translation

Foreign currency transactions are translated at the current rate on the day of the transaction. Foreign currency assets and liabilities are translated at the mean spot rate at the reporting date.

### Sales revenue

Until the shareholders meeting changed the business purpose in June 2015, income from the disposal of investments and securities was reported as sales revenue in the income statement and the corresponding expenses from the disposal of participations and securities are reported as a separate item under cost of materials.

Since this date only consulting revenues are disclosed.

## **2. INCOME STATEMENT AND BALANCE SHEET DISCLOSURES**

### Financial assets

Long-term investments developed as shown in the statement of changes in non-current assets.

### Receivables and other assets

All receivables and other assets are due within one year.

### Subscribed capital

The fully paid-in capital amounted to € 20,701,174 as at the balance sheet date. It is divided into 20,701,174 no-par value bearer shares.

### Authorised capital

In the Annual General Meeting on 27 June 2014 the removal of the existing authorised capital and the establishment of new authorised capital were resolved upon.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or several occasions up to a total of € 10,350,587.00 by issuing new bearer shares against cash and/or non-cash contributions until 26 June 2019 (Authorised Capital 2014/I).

The pre-emption rights of shareholders can be disapplied:

- a) for the acquisition of companies, parts of companies or investments in companies in exchange for shares in the company,
- b) if a capital increase against cash contributions does not exceed 10% of the share capital of the company and the issue price of the shares is not substantially less than the market price,
- c) for emission to strategic partners,
- d) to eliminate fractional amounts.

### Contingent capital

The company's Annual General Meeting of 27 June 2014 authorised the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019

warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 10,350,587 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions). For this purpose, the Annual General Meeting of 27 June 2014 created contingent capital for granting shares to holders of warrant or convertible bonds issued by the company according to the authorisation from the Annual General Meeting of 27 June 2014. The contingent capital amounted to 50% of the share capital, i.e. up to € 10,350,587.00 (Contingent Capital 2014/I). The Annual General Meeting's resolution and the corresponding revision of the Articles of Association were entered into the commercial register on 2 July 2014. The authorisation from the Annual General Meeting of 27 June 2014 has not yet been utilised.

The Contingent Capital 2014/I was reduced in light of the new Contingent Capital 2015/I, which is earmarked for granting shares to holders of share options.

The resolution of the Annual General Meeting of 27 June 2014 was amended at the Annual General Meeting of 17 June 2015 to authorise the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 8,280,470 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions).

€ 2,070,117.00 of the Contingent Capital 2014/I was rescinded, so it was reduced by € 2,070,117.00 from € 10,350,587.00 to € 8,280,470.00.

In accordance with section 192 (2) no. 3 of the Stock Corporation Act, the share capital of the company is contingently increased by up to € 2,070,117.00 through the issue of 2,070,117 non-par value bearer shares (shares) with a pro rata share in the share capital of € 1.00 per share (Contingent Capital 2015/I). The contingent capital increase serves to grant pre-emption rights to members of the company's Executive Board, members of the managements of affiliated companies, employees of the company and employees of affiliated companies.

On 22 December 2015, the Executive Board and the Supervisory Board resolved on such a share option scheme and on the same date issued a total of 615,000 options as follows:

- 200,000 options to members of the Executive Board
- 370,000 options to members of the management of subsidiaries
- 25,000 options to employees of the Company
- 20,000 options to employees of subsidiaries

The exercise price was set at € 1.00/share.

#### Capital reserves/revenue reserves

Premiums from the capital increases were transferred to capital reserves in accordance with section 272(2) no. 1 HGB.

#### Other provisions

Other provisions were recognised for outstanding holiday claims (T€ 5), costs for accounting, financial statements and audits (T€ 74) and outstanding invoices (T€ 4).

#### Liabilities

Total liabilities as at 31 December 2016 are broken down by remaining term as follows:

	Remaining term			Total T€
	Less than 1 year T€	1 to 5 years T€	More than 5 years T€	
Liabilities to banks	1,194	0	0	1,194
Trade accounts payable	35	0	0	35
Other liabilities	3,007	0	0	3,007
Total	4,236	0	0	4,236

Total liabilities as at 31 December 2015 are broken down by remaining term as follows:

	Remaining term			Total T€
	Less than 1 year T€	1 to 5 years T€	More than 5 years T€	
Liabilities to banks	1,091	0	0	1,091
Trade accounts payables	35	0	0	35
Other liabilities	3,002	0	0	3,002
<b>Total</b>	<b>4,128</b>	<b>0</b>	<b>0</b>	<b>4,128</b>

#### Other operating income

Other operating income includes income from the sale of venture capital holdings, which were held as fixed assets (T€ 653).

#### Extraordinary write-downs

In the financial year, financial assets were written down to lower fair value in the amount of T€ 6,707 in accordance with section 253(2) sentence 3 HGB.

### **OTHER DISCLOSURES**

#### Contingent liabilities

It is customary when selling shares in holding companies that financial investors must also extend guarantees and assurances to the purchasers. As is standard practice in the industry, bmp Holding AG has assumed extensive guarantees and assurances when selling shares.

#### Shareholdings

A list of companies in which the company has a shareholding either directly or indirectly within the meaning of section 285 no. 11 HGB can be found under "Shareholdings".

### Auditors' fees

The following auditors' fees were recognised as expenses in the 2016 financial year:

#### In T€

Fee for financial statements and audits	64
Tax advisory fees	10
Other services	0
<hr/> Total	<hr/> 74

### Information on the executive bodies of the company

#### Executive Board

The Executive Board of bmp Holding AG in the 2016 financial year was Mr. Oliver Borrmann, businessman.

#### Remuneration of the Executive Board

As a result of the restructuring carried out in the middle of 2011, the Executive Board has received no remuneration anymore, Mr. Borrmann was remunerated by bmp Beteiligungsmanagement AG with which a service agreement is in place.

#### Other offices held by the Executive Board

Mr. Borrmann was on the Supervisory Board of the following companies:

brand eins Medien AG (Chairman)	until 30 November 2016
Heliocentris Energy Solutions AG (Chairman)	until 05 July 2016

In addition, as at 31 December 2016, Mr. Borrmann was also a managing director Cavy Capital GmbH and an Executive Board member of bmp Beteiligungsmanagement AG.

## Supervisory Board

The members of the Supervisory Board of the company are:

Bernd Brunke, Berlin Chairman of the Supervisory Board	Businessman
Gerd Schmitz-Morkramer, Munich Until 06 July 2016 Deputy Chairman of the Supervisory Board	Businessman
Michael Stammli, Lutzenberg (CH) Member of the Supervisory Board	Businessman
Sven Rittau Since 06 July 2016 Member of the Supervisory Board	Businessman

Total payments to the members of the Supervisory Board of bmp Holding AG in the 2016 financial year amounted to T€ 46.

In total, each Supervisory Board member was entitled to the following remuneration:

<u>In T€</u>	
Bernd Brunke	18
Gerd Schmitz-Morkramer	10
Michael Stammli	12
Sven Rittau	6
<hr/> Total	<hr/> 46

Mr. Stammli is on the Supervisory Board of the following companies:

eCAPITAL entrepreneurial Partners AG	year-round
WM Treuhand und Steuerberatungsgesellschaft AG	year-round
Heliocentris Energy Solutions AG	until 01.12.2016
Taunus Trust Group AG (Chairman)	year-round

Mr. Brunke and Mr. Rittau had no further mandates on supervisory boards or other comparable controlling bodies.

#### Shareholdings of the Executive Board and the Supervisory Board as at 31 December 2016

The members of the Executive Board held 3,167,956 shares, the members of the Supervisory Board held 695,000.

#### Employees

In the financial year, bmp Holding AG had an average of one salaried employee in addition to the Executive Board. As at the end of the year, the company had two employees in addition to the Executive Board.

#### German Corporate Governance Code

The Executive Board has issued the declaration required by section 161 AktG with the individual adjustments for bmp Holding AG and made it available to shareholders on the Internet at [www.bmp-holding.de](http://www.bmp-holding.de).

Reported shareholdings in accordance with section 21(1) or (1a) WpHG as at 31 December 2016:

Carin Pepper-Hellstedt	16.45%
Roland Berger Group	7.46%
Oliver Borrmann	15.30%
Michael Stammer	3,24%
Peter R. Ackermann	3,00%

Disclosures in accordance with section 26(1) WpHG:

“Mrs. Pepper-Hellstedt informed us on 10 October 2016 that she exceeded the reporting threshold of 15% and now holds 16.45% of the voting rights.”

#### Supplementary report

There were no value-based events after the reporting date in accordance with section 285 (33) HGB.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report of the company includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

## Shareholdings

Enterprises in which the Company has either direct or indirect holdings according to section 285

(11) HGB:

### Subsidiaries

<u>Company</u>	<u>Share</u>	<u>Equity as of 31 December 2016</u> in T€	<u>Annual result 2016</u> in T€
ReFer GmbH, Berlin	100.00%	2,028	-365
Grafenfels GmbH, Berlin	100.00%	323	-834
sleepz GmbH, Ludwigsfelde	66.80%	374	-1,151
Matratzen Union GmbH, Wolfhagen	60.00%	518	181
Markenschlaf GmbH, Wolfhagen	60.00%	67	-8
Ecom Union GmbH, Wolfhagen	60.00%	277	134
Denkvertrieb GmbH, Wolfhagen	60.00%	15	15

### Shareholdings

<u>Company</u>	<u>Share</u>	<u>Equity as of 31 December 2015</u> in T€	<u>Annual result 2015</u> in T€
Xamine GmbH, Munich	46.34%	172*	228*
dailyme TV GmbH, Berlin	45.03%	-730	-833
Retresco GmbH, Berlin**	36.34%	293	11
Ubertweek GmbH, Berlin	34.85%	199	-196
ferret go GmbH, Bernau**	24.82%	67	-108
Betegy Sp. z o.o., Warsaw/Poland	24.71%	-1,701 TPLN	-1,079 TPLN
castaclip GmbH, Potsdam	23.91%	3.315	-79

\* Data as of 31 Dec 2014

\*\* indirect investment, held directly by ReFer GmbH

Berlin, 25 April 2017

Oliver Borrmann

Executive Board

## **Management report for the 2016 financial year**

### Business purpose

bmp Holding AG establishes its own subsidiaries and, as an operating holding company, acquires majority interests in companies with the aim of developing a leading e-commerce group in the Sleep segment in Germany.

Equity investments that do not fit with this alignment are to be sold.

### **I. Structure of the annual financial statements:**

The assets side of the balance sheet consists of shares in affiliated companies, which account for 62.2% of total assets, and shares in investments and loans to these companies that are accounted for in current assets. Current assets made up 37.7% of total assets. While over 36.2% of total assets were still tied up in investments and loans at the end of 2016, a further drop is to be expected as the remaining venture capital portfolio is to be sold completely.

	<b>2016</b>	<b>2015</b>
Affiliated companies (fixed assets)	62.2%	96.1%
Affiliated companies (current assets)	21.3%	0.0%
Other securities	14.9%	0.0%
Other	1.6%	3.9%
Total	100.0%	100.0%

Equity and liabilities saw a sharp decline from € 19.3 million to € 11.3 million as a result of this loss. Equity decreased in absolute terms and as a percentage.

	<b>2016</b>	<b>2015</b>
Shareholders' equity	61.7%	78.2%
Liabilities to banks	10.6%	5.6%
Other liabilities	27.7%	16.2%
Total	100.0%	100.0%

Until the change of business purpose, income from the disposal of investments was reported in the income statement under sales. The corresponding reduction in the carrying amount of investments and marketable securities was shown separately under its own item.

After the change of business purpose, the sale of investments was reported net under other operating income or other operating expenses.

In addition to personnel expenses, costs are still being incurred to manage the remaining portfolio and for consulting services that indirectly include remuneration for Executive Board members. Other operating expenses reflect primarily the costs of stock market listing, shareholders' meeting, IR and PR costs and costs for the financial statements and audits.

In 2016 sales amounted to € 771 thousand (previous year: € 2,898 thousand), while depreciation on financial assets and securities amounted to € 6,624 thousand (previous year: € 408 thousand). In the 2016 financial year, bmp Holding AG generated a result according to HGB of € -8,180 thousand (previous year: € 295 thousand). Equity decreased from € 15.1 million to € 6.9 million. The equity ratio moved down from 78.20% to 61.70%.

As of 31 December 2016 current bank loans of € 1.2 million and acquisition loans of € 3.0 million were utilised.

## **II. Market development and market position:**

The information available on the volume of the furniture market in 2016 and its potential development varies.

In October 2016, the German Trading Association for Furniture and Kitchens forecast annual gross sales of € 33.4 billion for the year. By contrast, IFH Institut für Handelsforschung Köln and BBE Handelsberatung anticipate a sales volume of only € 26.8 billion for 2016.

Growth forecasts for 2017 also differ in similar ways. In a press release, the German Trading Association for Furniture and Kitchens indicated "another slight increase in demand" while Marketmedia24, a market research institute based in Cologne, expects sales to remain unchanged at roughly € 19 billion.

In a report entitled "Furniture Retail in Germany", which was published in 2016, Statista makes that assumption that the volume of the furniture market has stagnated for a decade, and is estimated at around € 30 billion.

The German Trading Association for Furniture and Kitchens expects bedroom furniture to account for 11% of the total volume of the furniture market in 2016, corresponding to annual gross sales of just under € 3.7 billion. By contrast, Tietze, a business consulting firm, anticipates a retail volume of just under € 5 billion for 2015. This corresponds to a 15.4% increase since 2013 or an annual jump in sales of around 7%. Extrapolating this growth rate would result in a market volume of € 5.8 billion in 2017 and a market volume of something over € 7 billion in 2020.

In a Consumer Market Outlook for the bedroom segment, Statista GmbH even considers sales of just under € 7.9 billion to be realistic for 2017, and anticipates a market volume of approximately € 8.7 billion for 2020.

Overall, at any rate, there is greater potential in the bedroom furniture segment than in the furniture segment in general. A variety of underlying conditions – such as how old the company is or the increasing perception of “sleep” as an important aspect of personal health – on the one hand, but also the advent of (new) product lines, such as box spring beds, walk-in wardrobes and “one-fits-all” mattresses are opening up new potential here. A Statista survey in October 2016 revealed that 60% of respondents intended to buy bedroom furniture in the next two years. The mattress product line is the focus of 28% of respondents here, while 14% are interested in beds; at the same time, 18% indicated they are looking to buy both. Box spring beds are additionally gaining particularly dynamic momentum on the bed market. Their market share has risen from 14% in 2012 to almost 40% today.

bmp’s positioning as an “e-commerce company in the sleep products segment” is particularly relevant when it comes to the development of the online trade in this area.

GfK Geo Marketing GmbH expects online sales to account for 7.8% of total sales in the interior design and home furnishing segment in 2014. It anticipates a rise in online sales across all segments from a current 8.5% to around 15% until 2025 if retail sales remain constant at around € 460 billion. This corresponds to a rise in online sales overall from a current € 39 billion to € 69 billion.

At the same time, the share of the interior design and home furnishings segment in the total volume of online retail is expected to increase slightly from 9% to 10% in the same period. Taking into account the overall increase in online sales across all segments, this means that online sales in the interior design and home furnishings segment will increase or even almost double from approximately € 3.5 billion in 2014 to roughly € 6.9 billion in 2025.

Institut für Handelsforschung (IFH) currently attributes a share of 5.7% to online furniture retail and anticipates a significant rise to 12.3% by 2020.

Business consulting firm Tietze expects the market share of non-store retailing in the area of bedroom furniture to amount to 13% in 2015. This corresponds to € 642 million in sales at gross retail prices. However, traditional sales channels, such as mail order retail and TV shopping, are also bundled under the umbrella term of “non-store retailing”. The market share of pure online trade in the sale of bedroom furniture overall is expected to increase to 18% by 2020.

Assuming a total market volume in the bedroom furniture segment of just above € 7 billion in 2020 with a sustained growth rate of 7%, online retail in the “sleep” segment will account for approximately € 1.3 billion in sales in 2020.

This lies within the range of our market assessments from the previous year; we assumed here an online market volume of over € 1 billion for the bedroom furniture segment in 2018.

So far, sales have taken place in the furniture segment as a whole. In the area of bedroom furniture in particular, sales are generated primarily on the high street. As a result, the share of online sales, which is rather small compared with other segments, can be identified relatively easily. A clear market leader for online retail in this area has not emerged thus far.

In a market study on the e-commerce market in Germany in 2016, EHT Retail Institut, in collaboration with Statista and iBusiness, dealt with B2C online stores for physical goods. On the basis of a total e-commerce market estimated at € 46.9 billion in 2015, the study calculated sales of € 1.7 billion for the furniture and decorative items segment. However, the analysis relates to only 1,000 companies with the strongest sales, and a large portion of these actively operate in many different product segments as generalists. Only 74 of the top 1,000 companies were allocated to the furniture and decorative item segment. Some of these sell products from other segments. After filtering these out, only 35 companies operating exclusively in this segment remain. But in doing so, this also excludes key players that certainly generated a higher portion of total sales in this segment in 2015. Some of the companies that are allocated to the furniture and decorative items segment and sell only products from, or at least focus on, this segment also offer products outside the bedroom furniture segment.

Finally, this study does not consider marketplace sales as it focuses on the B2C business with physical goods. However, this involves a significant sales channel used by bmp subsidiaries. Overall, this study provides only a starting point for the market positioning of bmp Group companies. Nevertheless, it supports the theory that no significant players have yet emerged on the online retail market for bedroom furniture. However, competition is on the rise.

### Expansion of online activities via high-street retail chains

High-street retail chains have so far generated only a small share of total sales via online retail. High-street retail chains face the following problem in particular. So far, they have generated a high portion of sales with impulse purchases, such as rugs or glasses, which also need to be further marketed via the branches. As a result, large retail chains in particular have deliberately maintained online obstacles, such as high additional delivery costs. However, only a prominent market position allows for such an approach to be adopted online, and smaller bricks-and-mortar furniture retail chains would not be able to adapt this model on a one-for-one basis.

If a shift is seen in the future, this will affect mainly (furniture) retail chains and manufacturers that have not sufficiently adjusted to this shift.

Retail chains and smaller furniture dealers have now realised this and are stepping up their online ambitions here. However, retail chains and smaller furniture dealers still have difficulties finding the right balance between a costly bricks-and-mortar sales channel and online sales to ensure their continued existence.

### Online concepts in strong groups

Challenges have significantly increased in the area of online retail for bedroom products. The clear shift in (bricks-and-mortar) sales activities towards the establishment of online stores to meet equally high customer demands with regard to market transparency, good value for money and quicker product deliveries will not be enough. Pure online retailers also face enormous costs to raise brand awareness and enlarge their customer base. In addition, they often depend on search engines.

In particular, business models with the widest possible range of sales channels with a multi-channel approach have a future on this basis. Cross-channel data management, competitive prices and excellent fulfilment are key prerequisites for such an approach to work. In addition, product range and depth, easy access to the manufacturer, product expertise and excellent service are essential for successful multi-channel sales.

Competitors with various sales channels and a multi-channel approach that is similar to that of the bmp Group's companies are becoming increasingly active on the market.

### One-fits-all mattress concept

In the past financial year, "one-fits-all" mattress concepts appeared on the market and attracted a lot of attention. These concepts stand out because they generally aspire to meet various

customer needs with only one mattress and sell their product exclusively online. To achieve this, these business models attracted attention with aggressive marketing activities. The market reacted with a growing price war in this product area.

We consider this concept to be sustainable only to a limited extent. Firstly, the companies' market launch is likely to be associated with extremely high costs. Secondly, the trends that can be observed in the Sleep segment go against this concept. This includes ever higher customer expectations with regard to the selected product, the ongoing combination of health and sleep aspects, demographic trends, and the growing popularity of other products, such as box spring beds. It remains to be seen what success this business model will have in the medium term.

### Market positioning

Based on the current development of the market and market prospects, the bmp Group has positioned itself as a company with a full depth of assortment, high fulfilment requirements and a multi-channel approach. In addition to the products of more renowned manufacturers, bmp's subsidiaries also develop and sell private labels through online stores, marketplaces, shopping clubs and deal platforms. They also develop and sell private labels for third parties or undertake fulfilment tasks for third parties. In doing so, bmp is increasing the possibility to respond at short notice to market disruptions or changes, and gaining access to new target groups. With this focus, no direct competitors have emerged so far.

## **III. Business development:**

### Sleep

In the 2016 financial year, sleepz GmbH significantly missed its original sales targets and even saw a drop in sales from € 6.4 million to € 5.9 million. Four main reasons are behind this decline in sales. Firstly, sleepz still had to overcome technical hurdles in its shops, which led to a conversion rate that was lower than planned. Secondly, the market was significantly weaker than usual in the second half of the year. Thirdly, new companies, especially one-fits-all mattress start-ups, have driven the price of Google Adwords up to such an extent that bids were not made, resulting in less traffic on these websites. Fourthly, sleepz has actively stopped using unprofitable sales channels to improve the contribution margin in this way. This was evident in net income for the year, which improved by around € 0.6 million.

Grafenfels Manufaktur GmbH significantly failed to meet its original sales targets. This was essentially due to the decision to mainly sell products directly not with the company's online store, but rather bricks-and-mortar stores. This decision significantly delayed the market launch as

these bricks-and-mortar retailers were not sufficiently developed or trained until the second half of the year. The sales success achieved with bricks-and-mortar retailers in 2016 was moderate since Grafenfels is not yet a famous brand. As a result, the company's sales concept and positioning needs to be put to the test again and adjusted if necessary in 2017.

Although the Matratzen Union Group's companies also missed their original targets overall, they still achieved strong sales growth of over 30% from € 6.4 million to € 8.4 million and especially grew profitably as well. Like sleepz, Matratzen Union also felt the effects of consumer restraint in the second half of 2016, which was partly due to the weather, and particularly fierce competition surrounding Google Adwords, resulting in standard search terms hardly remaining profitable. This led to a decline in traffic and thus also sales.

Overall, the subsidiaries of bmp Holding AG generated total sales of € 14.4 million in the 2016 financial year.

#### Venture capital investments

Seven investments were sold in 2016, resulting in a remaining portfolio of six investments at the end of 2016, which are to be sold in 2017. These investments were recognised in current assets.

#### **IV. Organisation and employees:**

As at the reporting date, two employees worked at bmp Holding AG in addition to Oliver Borrmann as the sole Executive Board member. One person was employed on average throughout the year.

#### **V. Financial situation:**

##### Profit situation

The company reported net income of € -8,180 thousand in the 2016 financial year. As a result, net income saw a sharp decrease year-on-year (previous year: € 295 thousand). Write-downs on the investment portfolio were key elements behind the drop in net income.

Adjusted for the effects of the old venture capital business, the income statement reveals the following:

	in T€
1. Sales	258
2. Other operating income	38
3. Other operating expenses	-654
4. Income from investments	0
5. Write-downs on financial assets	-998
6. Result from ordinary activities	-1,356

Sales amounted to € 771 thousand (previous year: € 2,898 thousand). Adjustments to the disclosure of sales in accordance with the German Accounting Directive Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz – BilRUG*) are not required.

At € 96 thousand, personnel expenses were above the previous year's level (€ 70 thousand) due to a new employee. Other operating expenses climbed from € 1,844 thousand to € 2,736 thousand, which was mainly due to losses from the sale of investments (€ 830 thousand). Write-downs on financial assets and securities increased from € 408 thousand to € 6,624 thousand.

Return on equity, measured by net income for the financial year and in relation to average shareholders' equity, was -74.1%.

#### Assets and capital structure

Fixed assets include almost exclusively shares in affiliated companies of € 7,002 thousand. Current assets increased from € 742 thousand to € 4,245 thousand due to the reclassification of investments. This includes € 4,077 thousand in the remaining venture capital portfolio held for sale, which was reported as shares in affiliated companies and other securities.

Total assets fell from € 19.3 million to € 11.3 million.

Equity decreased from € 15.1 million to € 6.9 million. Liabilities were at the previous year's level. The equity ratio moved down from 78.2% to 61.7%.

## **VI. Opportunities and risks of future development, risk management**

### **Risks in the “Sleep” business area**

#### Market

The online market in the Sleep segment is undergoing change. Many furniture companies and larger bricks-and-mortar traders are discovering the online market, and greater competition is to be expected. At the same time, the market is exhibiting a strong growth dynamic.

#### Competition

The German market does have some larger players, such as Schlafwelt.de (Otto group), but no competitor exercises significant control over the market. Given the fact the market is not controlled by a single competitor or a small number of competitors, a very large number of companies are attempting to tap this market. Several new online companies offer a higher level of service and are creating greater competition. This could pose the risk of a decline in margins.

#### Technology

E-commerce is becoming ever more complex and increasingly technical. In order to keep up, it is important always to use the latest technologies, such as mobile shopping, for example. The mobile internet and other technical advances require good external service providers or a strong in-house technical department. Dependency on external service providers poses a not insignificant risk. At the same time, developers are currently in strong demand, which makes recruiting staff for the in-house technical department increasingly difficult and leads to a high risk of losing good employees.

#### Staff

Particularly at the Berlin location, recruiting good employees in all areas is proving difficult due to the high number of e-commerce companies. Companies have to offer more in order to be attractive, especially at management level. This higher demand may potentially lead to an increase in staff costs.

#### Credit risk

The Group's companies and bmp Holding AG depend partly on credit ratings issued by banks and credit insurers. Credit rating changes can lead to limits being removed or a decrease in credit lines.

### Legal risks

Cease-and-desist letters and court cases have been inherent in online trading for many years. Counteracting this requires higher legal expenses with regard to prevention. This applies to all processes and areas on the domains. Costs for legal advice and provisions for legal disputes are rising.

### Supplier risk

Despite the large opportunity brought about by many suppliers discovering trading on the internet and online traders therefore being offered ever more products, many manufacturers also protect themselves against misuse and strategic changes contractually. It is always possible for business relationships to end abruptly. This can change the product range and revenue can shift or in the worst case even fail to materialise.

### Warranties/product liability

The issue of warranties hardly poses problems as the risk is primarily borne by the manufacturer. However, the importer bears the product liability risk for imported products. As a result, very high quality standards must be set for product testing. In spite of such quality standards, supplying imported products can bring with it the risk of product liability and the resulting costs.

### Image

The internet is becoming more transparent and the opinions of consumers, associations and opinion leaders (e.g. Stiftung Warentest, the German consumer testing foundation) are becoming increasingly important. This represents a great opportunity to stand out from the competition, but also the major risk of rapidly suffering damage to one's reputation.

### Products

In the Sleep segment, mattresses, sprung bed slats and beds have a very long life, which means the product range can be well coordinated for many years. This is not the case in the fashionable segment, as with bedding, for example. In this area it is important to sell quickly as value adjustments must otherwise be made for slow sellers.

### Risk of receivables default

There is a very low credit risk when selling directly to consumers due to the payment terms. There is a risk associated with selling via platforms that simultaneously perform a collection function. This risk is continuously monitored by the company's management.

## **VII. Risks of Venture Capital residual portfolio**

### Risks of the venture capital business model

Venture capital is speculative or risk capital, granted with the aim of achieving high returns. Compared with other forms of financing, venture capital clearly has a higher risk potential and requires a high degree of support.

### Time of disposal and attainable disposal proceeds

The investments shall be sold to an institutional or industrial investor, to the management or to co-shareholders. The change of business purpose and associated sale of minority interests caused earnings potential to be limited as it is no longer possible to target the optimum time of sale.

### Uncertainty of the economic development of individual companies in the portfolio

Write-offs of investments or even the total loss due to insolvency cannot be avoided despite many years of business experience and intensive investment controlling, nor are they unusual especially with early stage financing. bmp Holding AG counteracts the financial impact of a drop in the value of investments with early support and countermeasures, the investment controlling as well as appropriate provisions for risk (recognising valuation allowances) in accounting measurement.

### Risks from foreign companies

bmp's foreign investment is subject to the laws of the respective country. In addition, individual agreements are subject to the laws of the respective country. The company is thus exposed to the usual dangers and risks of a foreign legal system.

### Liability associated with the disposal of investments

In terms of the disposal of investments, bmp Holding AG as the seller may have to grant guarantees particularly in regard to tax liabilities in favour of the purchaser or the purchasers. bmp Holding AG strives to limit the liability arising from such guarantees and indemnities to a certain percentage of the purchase price, insofar as guarantees are accepted at all. bmp Holding AG cannot rule out the possibility that such liabilities will occur in some individual cases.

## **VIII. Inter-divisional risks:**

### Currency risks

In the past, the company has used various methods to pay in foreign currency for the acquisition of an investment or to receive payment for the disposal of an investment. Following disposal of the investment there may also be a capital gain or loss due to currency fluctuation in addition to the gain or loss from the disposal. Another risk is that the company must accept exchange losses from foreign currency balances if no hedging transactions exist.

On the supply side the risk exists that the goods purchased will become more expensive.

### Company dependence on economic cycles and financial markets

The economic success of bmp Holding AG is heavily dependent on the general economic development, the development of the industries in which bmp Holding AG has invested and the development of the financial markets.

### Risks of changes in interest rates

The liabilities do not present any risks of changes in interest rates. Variable interest rates are assessed on all current money investments.

### Overall evaluation and risk management

bmp Holding AG has recognised extensive provisions for all discernible individual risks in the annual financial statements as of 2016. The individual general risks are not quantifiable.

At the holding level, the Executive Board personally monitors and supports the development of the subsidiaries. It maintains close contact with the senior management of affiliated companies and is involved in decision-making relating to transactions outside of day-to-day business.

The Executive Board has transferred the sale of the remaining venture capital residual portfolio to bmp Beteiligungsmanagement AG. At regular intervals it checks the work of this service provider by way of spot checks at the level of both the equity investments and the company. A quality handbook has been created.

The service provider, bmp Beteiligungsmanagement AG, has developed an integrated system of investment controlling that allows it to assess the quantity and quality of risks arising in its investment business. In addition to comparing forecast and actual data at both an investment

level and company level, the system enables full reporting while satisfying the purpose of a management information system.

Economic developments in our venture capital holdings are monitored by bmp Beteiligungsmanagement AG. The carrying amounts and the value development of investment companies are reviewed quarterly with suitable financial mathematical models. Depending on the type and degree of development of the investment companies, various measurement models are used to check whether their fair value exceeds amortised cost.

The subsidiaries Grafenfels Manufaktur GmbH and sleepz GmbH are dependent on additional liquidity contributions by bmp Holding AG or their minority shareholders, since they can not completely cover their financial requirements from external financing until the break-even. Current liquidity, existing credit lines and the expected proceeds from the sale of the venture capital residual portfolio are sufficient to meet all obligations, including the financing of the operating business of bmp Holding AG. A prerequisite for this is that the remaining venture capital portfolio can be sold in the second quarter of 2017 according to the planned proceeds. If this is not achieved, bmp AG holding is dependent on liquidity contributions, for example by the existing or new shareholders. As a precaution, the Management Board has therefore initiated the following measures:

The Executive Board intends to implement a capital increase <10% from May 2017 and to implement a large capital measure requiring a prospectus in the summer of 2017. Work on the securities prospectus started as early as March 2017.

From a current standpoint, if the risks described were to occur individually or together they would still not pose a danger to the continuation of bmp Holding AG as a going concern, if the capital measures can be successfully placed.

In the view of the Executive Board, bmp Holding AG has a lasting capability to remain in existence.

## **IX. Integrated internal control and risk management system for the accounting process:**

The accounting-related internal control and risk management system that is crucial to the financial statements of bmp Holding AG includes measures that are intended to provide comprehensive, correct and up-to-date communication of information that is required to prepare the annual

financial statements and the management report of bmp Holding AG. These measures are intended to minimise the risk of material misstatements in accounting and external reporting.

Accounting is organised centrally. All services pertaining to accounting and controlling of the subsidiaries and the shareholdings are performed at the company's headquarters by bmp Beteiligungsmanagement AG.

The acquired subsidiaries are keeping their accounts according to HGB autonomously.

#### Corporate governance declaration

The corporate governance declaration has been published on our homepage [www.bmp-holding.de](http://www.bmp-holding.de) under "Investor Relations/Corporate Governance/Corporate Governance Declaration".

#### Remuneration system

Since 1 July 2011, no remuneration has been paid to the Executive Board by the company. Mr Borrmann is remunerated by bmp Beteiligungsmanagement AG with which an service agreement is in place.

In accordance with our Articles of Association, the members of the Supervisory Board have a claim to reimbursement of their expenses and to remuneration.

The remuneration of the Supervisory Board for the year 2016, as approved by the Annual General Meeting in 2013, consists of an annual basic remuneration of € 10 thousand for the Chairman of the Supervisory Board and € 5 thousand for the other members and remuneration per meeting day of € 2.5 thousand for the Chairman of the Supervisory Board, € 1.5 thousand for the Deputy Chairman of the Supervisory Board and € 1 thousand for the ordinary member of the Supervisory Board.

Remuneration for Supervisory Board members, which was resolved by the Annual General Meeting on June 13, 2013, was revoked with effect from 1 January 2017 and re-established as follows:

Members of the Supervisory Board receive the following annual basic remuneration for their work:

1. € 30,000.00 for the Chairman of the Supervisory Board,
2. € 20,000.00 for the Deputy Chairman of the Supervisory Board,

and

3. € 15,000.00 for ordinary members of the Supervisory Board.

In the event of a change of (Deputy) Chairman during a financial year or if an individual is appointed to or loses a seat on the Supervisory Board during a financial year, basic remuneration shall be granted pro rata temporis.

In addition to remuneration, the company reimburses Supervisory Board members for expenses incurred in connection with their work in addition to VAT incurred on their remuneration or reimbursed expenses.

This remuneration provision became effective from 1 January 2017.

bmp Holding AG has also taken out adequate pecuniary damage liability insurance (D&O insurance) for members of the Supervisory Board, which does not include a deductible.

#### Appointment and dismissal of members of the Executive Board, amendments to the Articles of Association

The appointment and the dismissal of members of the Executive Board of bmp Holding AG are covered in sections 84 and 85 of the Stock Corporation Act in conjunction with Article 7 of the Articles of Association.

In accordance with section 84 Stock Corporation Act, the Executive Board is appointed by the Supervisory Board of the company for a term of up to five years. In exceptional cases only, a member of the Executive Board can also be court appointed in accordance with section 85 Stock Corporation Act.

The Executive Board of bmp Holding AG consists of one or more members. The Supervisory Board can revoke this appointment and the general appointment to the Executive Board with due cause.

In accordance with section 179 (1) Stock Corporation Act, all amendments to the Articles of Association require a resolution by the Annual General Meeting. The Annual General Meeting can transfer its authority to amend the Articles of Association to the Supervisory Board only in cases where changes affect the wording only. There is a general authorisation in Article 17 of the Articles of Association.

In accordance with section 179 (2) Stock Corporation Act, a resolution to amend the Articles of Association requires a minimum three-quarters majority of the capital represented at the adoption of the resolution. Otherwise, resolutions by the Annual General Meeting in accordance with section 133 Stock Corporation Act are adopted by a simple majority of votes cast in accordance with Article 22 of the Articles of Association of bmp Holding AG, unless a larger majority is required by mandatory legal provisions.

## **X. Shares and capital**

### Subscribed capital

The fully paid-in capital amounted to € 20,701,174.00 as at the balance sheet date. It is divided into 20,701,174 no-par value bearer shares.

### Authorised capital

In the Annual General Meeting on 27 June 2014 the removal of the existing authorised capital and the establishment of new authorised capital were resolved upon.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the company on one or several occasions up to a total of € 10,350,587.00 by issuing new bearer shares against cash and/or non-cash contributions until 26 June 2019 (Authorised Capital 2014/I).

The pre-emption rights of shareholders can be disapplied:

- a) for the acquisition of companies, parts of companies or investments in companies in exchange for shares in the company,
- b) if a capital increase against cash contributions does not exceed 10% of the share capital of the company and the issue price of the shares is not substantially less than the market price,
- c) for emission to strategic partners,
- d) to eliminate fractional amounts.

### Contingent capital

The company's Annual General Meeting of 27 June 2014 authorised the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or

without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 10,350,587 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions). For this purpose, the Annual General Meeting of 27 June 2014 created contingent capital for granting shares to holders of warrant or convertible bonds issued by the company according to the authorisation from the Annual General Meeting of 27 June 2014. The contingent capital amounted to 50% of the share capital, i.e. up to € 10,350,587.00 (Contingent Capital 2014/I). The Annual General Meeting's resolution and the corresponding revision of the Articles of Association were entered into the commercial register on 2 July 2014. The authorisation from the Annual General Meeting of 27 June 2014 has not yet been utilised.

The Contingent Capital 2014/I was reduced in light of the new Contingent Capital 2015/I, which is earmarked for granting shares to holders of share options.

The resolution of the Annual General Meeting of 27 June 2014 was amended at the Annual General Meeting of 17 June 2015 to authorise the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 8,280,470 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions).

€ 2,070,117.00 of the Contingent Capital 2014/I was rescinded, so it was reduced by € 2,070,117.00 from € 10,350,587.00 to € 8,280,470.00.

In accordance with section 192 (2) no. 3 of the Stock Corporation Act, the share capital of the company is contingently increased by up to € 2,070,117.00 through the issue of 2,070,117 non-par value bearer shares (shares) with a pro rata share in the share capital of € 1.00 per share (Contingent Capital 2015/I). The contingent capital increase serves to grant pre-emption rights to members of the company's Executive Board, members of the managements of affiliated companies, employees of the company and employees of affiliated companies.

On 22 December 2015, the Executive Board and the Supervisory Board resolved on such a share option scheme and on the same date issued a total of 615,000 options as follows:

200,000 options to members of the Executive Board

370,000 options to members of the management of subsidiaries  
25,000 options to employees of the Company  
20,000 options to employees of subsidiaries

The exercise price was set at € 1.00/share.

In respect of section 289 (4) no. 3 German Commercial Code, please refer to the notes. Further disclosures in line with section 289 (4) German Commercial Code are not required.

## **XI. Forecast report:**

### Market environment

bmp Holding AG is currently focusing on the “Sleep” market segment and mainly on online trading (e-commerce) within this area. The Sleep segment ranges from beds, mattresses, bedding and bedroom furniture to accessories, among other things. Online trading is developing positively in this segment and continues to gain market share. Due to its positive development, an increasing number of competitors are entering the market. This is not problematic at this time, however, due to the size of the market. No consolidation trend has been identified as yet, but is expected to occur.

### Investment activity

In 2016 the share of sleepz GmbH was increased from 60.1% to 66.8%.

For 2017 bmp anticipates one to two further acquisitions from the Sleep segment in 2016, which directly depend on further sales of investments from the residual portfolio and the envisaged capital measures.

### Forecast result of operations

bmp does not currently expect to close the 2017 business year with a profit. bmp Holding charges affiliated companies for its services, but this is currently not enough to cover the purchased services, administrative expenses and stock exchange costs. The result can be influenced by income or expenses from the sales of investments.

## **XII. Significant events after the reporting period:**

On 19 January 2017, the Executive Board determined that due to expected losses in the 2016 financial year half of share capital had been lost in accordance with section 92 (1) of the German Stock Corporation Act (*Aktiengesetz – AktG*). The Board called for an Extraordinary General Meeting to take place on 21 March 2017, and informed the General Meeting of this loss. A simplified capital reduction in accordance with sections 229 ff. AktG was proposed to the General Meeting to offset incurred losses and impairments. A capital reduction from € 20,701,174 to € 6,900,391 was resolved.

### Opportunity report

The target for business year 2017 will be to sell the residual portfolio in order to free up funds that can be invested in the development of the new business model. This should allow revenue of € 18 million to be generated in the Group. Acquisitions of companies in the sleep segment would lead to a higher turnover than projected. At the level of the operating subsidiaries, earnings will be targeted that are only slightly negative.

Berlin, 25 April 2017

Oliver Borrmann

The accounts of bmp Holding AG drawn up in the German language were audited by the auditing firm Verhültsdonk & Partner GmbH and endorsed with an unqualified audit certificate in April 2017.

This English translation of our Annual Report was prepared to the best of our knowledge and belief, but it has not been certificated. The German version of the Annual Report is the authoritative version.

The Executive Board