


Investment in Sleep

ANNUAL REPORT 2016

bmp Holding

Key Figures

		2016	2015
SALES REVENUE	*in million €*	14.4	4.8
TOTAL OPERATING PERFORMANCE	*in million €*	15.1	5.7
MATERIAL COSTS	*in million €*	-9.8	-3.2
COST-OF-MATERIALS RATIO	*in %*	68.2	66.7
GROSS PROFIT [1]	*in million €*	4.6	1.6
EBITDA [2]	*in million €*	-1.8	-1.8
RESULT FROM CONTINUING OPERATIONS	*in million €*	-2.5	-2.0
RESULT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*in million €*	-2.2	-1.4
ANNUAL RESULT	*in million €*	-9.8	-3.4
EARNINGS PER SHARE	*in €*	-0.46	-0.14
		31.12.2016	31.12.2015
BALANCE SHEET TOTAL	*in million €*	15.3	26.0
INVENTORY ASSETS	*in million €*	2.3	1.5
SHAREHOLDERS' EQUITY	*in million €*	7.6	16.9
EQUITY RATIO	*in %*	49.5	64.9
EMPLOYEES		72	49

1 Sales revenue minus material costs
2 Result from continuing operations without interest, taxes and depreciations on tangible and intangible fixed assets

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Letter of the Executive Board

DEAR SHAREHOLDERS,

2016 was our first full financial year as an eCommerce group in the sleep products segment. In this year, we succeeded in establishing ourselves as one of the largest independent online retailers in our segment in Germany, with consolidated revenues of € 14.4 million. And in doing so, we left most of our bricks-and-mortar and online competitors in the highly fragmented market well behind us. We thereby honed our profile and now know better than ever how we want to develop in our exciting market. And of course we also have better knowledge of what our strengths and weaknesses are and what challenges we face.

However, there were two issues that had a particularly negative impact on our performance in 2016, both of which have to do with our past as a venture capital (VC) company: liquidity and extensive valuation allowances on the remaining VC portfolio.

When we decided in spring 2015 to sell our remaining VC portfolio, then consisting of 19 companies, by the end of 2017 at the latest, we expected to generate proceeds at least equivalent to our carrying amount of € 20 million as at 31 December 2014. In the exits of eleven companies that we have implemented since then, we have also achieved this on average, with eight investments sold above and three below their original carrying amount. We generated liquidity of more than € 8 million in this context, but more than € 2 million of this was reinvested to maintain the remaining portfolio in 2015 and 2016. Overall, the liquid funds available for further dynamic expansion of our new business were therefore limited. For this reason, we did not carry out any further company acquisitions in 2016 and had to rein back our marketing activities, particularly at our subsidiaries sleepz and Grafenfels, which – as we will see later – had an impact on revenues at both of these companies.

In addition, in 2016 we lost our VC investment iversity, which then represented a carrying amount of € 3.5 million, due to insolvency. One insolvency out of 19 VC investments is undoubtedly a low level for early-stage investments, but the size of the individual investment meant that it was painful. We significantly reduced the carrying amounts for some other equity investments in the remaining portfolio as a precaution in the case of companies that are not yet fully financed and in order to save ourselves us further major losses. These adjustments to the carrying amounts of the VC investments as at 31 December 2016 resulted in the loss of half of the share capital at € 20.7 million in the separate financial statements of bmp Holding AG in accordance with the German Commercial Code (HGB). This was published in an ad-hoc disclosure on 19 January 2017. On 21 March 2017, the extraordinary General Meeting convened in accordance with Section 92 (1) of the German Stock Corporation Act (AktG) then resolved by an overwhelming majority of 99.99 % to

follow the proposal of the Executive Board and the Supervisory Board for a reduction of the share capital to € 6.9 million.

We know that this step was a painful one not just for us but particularly for you, our shareholders. However, we consider it to be very important for our shared future.

For many years, the bmp share has been effectively unable to raise capital as a penny stock. As a result of the capital reduction, we are now once again able to generate liquidity not just from the sale of our remaining VC portfolio but also by means of capital measures. Soon after the registration of the capital reduction, we plan to implement a small capital increase of up to 10 % of the new share capital at that time. In addition, we are already working on preparing a stock exchange prospectus to open up the possibility of another, larger capital measure during the second half of the year. In this context, we also intend to change the name of our company in the summer and to propose a corresponding resolution to the Annual General Meeting in Berlin on 29 June.

In doing so, we will lay the foundations for the further development of our business in an undeniably exciting and challenging market.

This market developed rapidly again in 2016. "One fits all" mattress start-ups, some of which were financed with eight-figure sums, were a source of dismay for established companies. In our opinion, they helped wake up the somewhat sleepy sector of sleep products – a development that we generally welcome. With these start-ups, however, there are now well over 20 new market participants. They are all aiming to draw attention to themselves with a more or less comparable concept and their extensive marketing budgets are making it virtually impossible to make reasonable use of Google Adwords in particular in some areas, at least for retailers such as our subsidiaries sleepz and Matratzen Union. This costs traffic and therefore also revenues.

Our subsidiary Grafenfels also clearly felt the effects of this market change. With Grafenfels, we developed a product concept consisting of five mattress types, which we consider to *be better for customers, as there is not and cannot be any such thing as* the *one mattress for everyone. However, the "one fits all" concept has the major advantage that it spares customers the need to make a decision for or against a mattress and therefore works much more easily online. Nonetheless, we are sure that the hype surrounding "one fits all" mattresses will blow over in the medium term and the number of start-ups will dwindle.*

We therefore see the development in bricks-and-mortar retail as a more serious factor in the years ahead. As a result of the seemingly unlimited range of offers available online and the faster delivery times that are becoming established thanks to Amazon, customers are demanding a wide variety of products and rapid fulfilment from the (bricks-and-mortar) retailers even in our generally traditional furniture industry. However, most smaller retailers cannot offer this on a long-term basis. Their position on the market is therefore at risk, and initial consolidation processes can already be observed.

*As a full-range provider with a broad and deep range of bedroom-related products, we believe that we are very competitively positioned here to take advantage of the opportunities arising in connection with this consolidation. Thanks to long-standing relationships with well-known manufacturers, we are not only familiar with the market trends but also actively work on and with them, for example by developing our own product ideas.
The expectation on the part of customers that products ordered today will be delivered tomorrow is also something that we take very seriously. Our goal is therefore to guarantee "prime fulfilment quality" for at least the top sellers in our range. In the medium term, we see this as one of the major competitive advantages on the market, which will then also be reflected in revenues and contribution margins.*

In operational terms, we took a step forward in 2016:

The Matratzen Union Group companies developed positively with growth of 30% and increased their profits.

At sleepz, we accepted a slight decline in revenues of 8% in 2016 and primarily focused on reducing losses. We moved a good step forward in this respect, educing losses by more than a third over the year as a whole.

At Grafenfels, we unfortunately fell considerably short of our own planning. With minimal revenues, the company made a loss of more than € 0.8 million, which is why we will be scrutinising the concept in the first half of 2017 and modifying it if necessary.

Overall, our subsidiaries closed 2016 slightly below expectations with a loss before tax of approximately € 1.3 million after minority interests.

Our consolidated earnings were undeniably very poor at minus € 9.8 million in 2016, of which € 7.3 million is attributable to the discontinued venture capital business. € 6.6 million of this figure is related to non-cash specific valuation allowances on the remaining VC portfolio. We are continuing to work hard to sell the remaining VC portfolio by the end of the year.

Our goal for the financial year 2016 to achieve a result from ordinary business activities after minority interests of between € 1 and € 2 million was slightly missed and the financial year ended with a result of minus € 2.2 million.

Our goal for 2017 is to break even at the level of our subsidiaries. If our financial resources improve as planned over the course of the year, we will step up our focus on revenues in the second half of the year by selectively expanding our marketing. Taking into account an appropriate financing, we are planning a 25 % increase in revenues to approximately € 18 million for the year as a whole.

Dear shareholders, in spite of our limited financial resources and the fact that we consequently fell short of our planning, we achieved a reasonable performance in 2016 – it is not without reason that we are considered one of the biggest independent online retailers in our segment in Germany. Our primary objective is to leverage the potential of our business model with a new name in 2017 and lead it to lasting dynamic growth. We are continuing to work together on this with all our strength and are confident that we will be successful in doing so.

I would like thank you for your support and trust as we move forward on this path

Berlin, April 2017

Oliver Borrmann
Executive Board

Business model and market situation

BROAD PRODUCT RANGE, HIGH PRODUCT AVAILABILITY AND MULTICHANNEL SALES AS KEY FACTORS FOR SUSTAINABLE GROWTH.

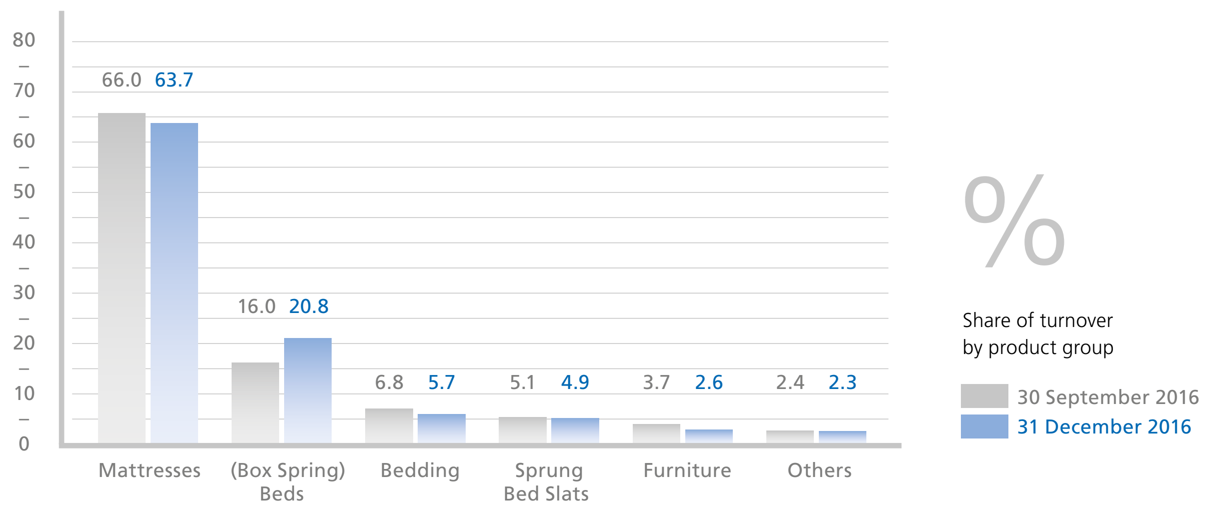
bmp Holding AG ("bmp") is a corporate group focused on online trading in sleep products. Our subsidiaries maintain a full range of brand products and private labels and sell these through a multichannel approach.

A quality service level based on professional consultancy, high product availability and swift fulfilment as well as the bundling of expertise and resources in the group open up for us the opportunity to develop into one of the leading companies in our market segment.

Product range

Our subsidiaries market a broad product range from the sleep products segment with a distinctive depth of assortment. Whether they are looking for mattresses, sprung bed slats, the latest box spring bed, bedroom furniture, bed linen, blankets or pillows – our customers will find something from every product group and for every budget. For us this opens up the possibility of catering proactively to market-specific developments.

Accounting for almost 64 % of sales, mattresses continued in the 2016 financial year to be the bmp Group's best-selling product range. The aggressive marketing of the "one fits all" mattresses and the intensifying price war for customers that resulted have led, however, to a decline in the margins for mattresses. At the same time, though, the increasing demand for box spring beds for example offers new potential. Our strategy as a full-range provider gives us the option of focusing our activities on higher-margin products and thus of increasing the contribution margin.



Brand products and private labels

What is important to us in all of the products we sell is that they are of high quality. Our subsidiaries of the Matratzen Union Group and sleepz therefore carry products from renowned manufacturers in their assortment in all product groups. At the same time, they develop and market private labels for special sales channels and B2B customers. Moreover, our subsidiary Grafenfels Manufaktur GmbH has developed a premium mattress collection that it sells predominantly through specialist retailers.

We gain several advantages from this mix: Private labels mean that we are less dependent on major manufacturers and also our competitors and that we can systematically address new target groups. We additionally offer our customers an assortment of expanded depth and breadth, while direct sales lead to more reasonable prices at the same consistently good quality. And finally, private labels open up the option of serving B2B customers. Private labels thus generally allow comparatively high contribution margins to be generated.

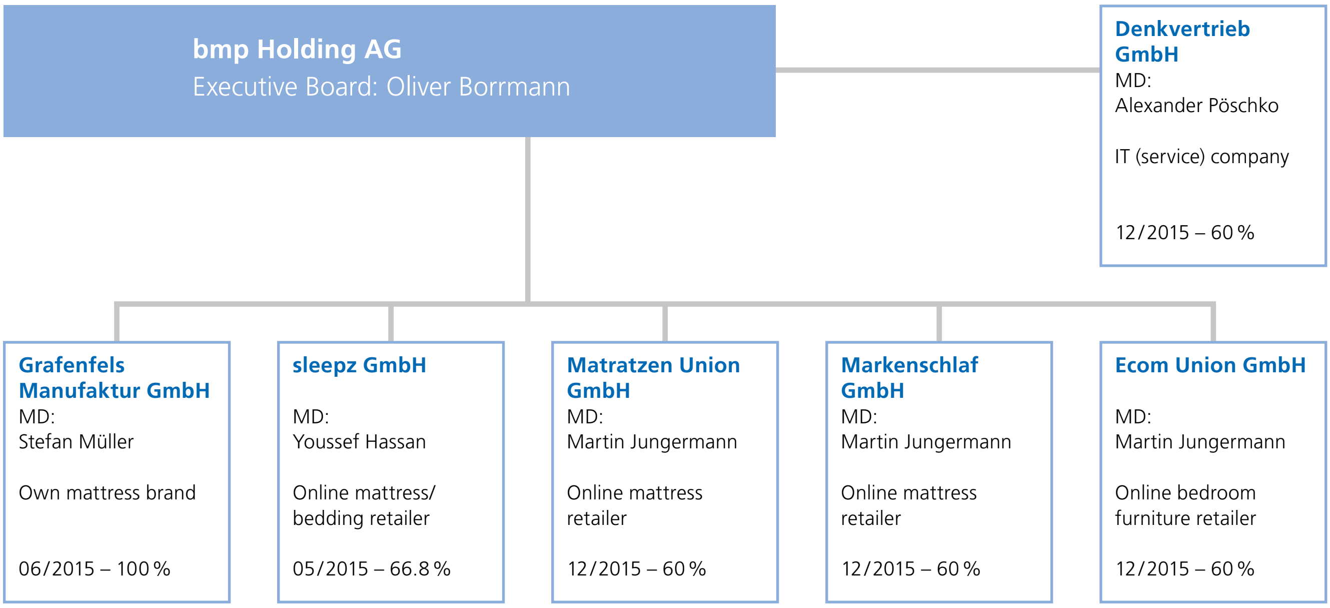
At the same time, however, the establishment of private labels is associated with high product launch costs. If the introduction on the market is not successful or does not take place at the required tempo, providers who rely exclusively on their private labels do not have a fallback option. Our advantage therefore is that our subsidiaries continue to focus heavily on the sale of brand products of renowned manufacturers.

Multichannel approach

We pursue a multichannel approach with our subsidiaries. What we mean by this is that we address (potential) customers through a variety of communication and sales channels. As a result, a very wide range of benefits are opened up. These include increasing the level of distribution and thus achieving higher market coverage, opening up new points of contact with customers and increasing cost-effectiveness through synergy effects. If several sales channels are used in parallel, the risk is additionally spread across these channels.

Specifically, our subsidiaries sell their products on the following channels:

- Marketplaces
  eCommerce marketplaces such as Amazon and eBay provide virtual trading rooms where suppliers and customers are brought together; they receive a fee from the retailers for this. As a retailer, we benefit in particular from the high profile and reach of these marketplaces. In addition, they open up a variety of other advantages, such as the option of placing individual products on a marketplace using different price strategies. Moreover, the sales commission is easy to calculate.
  A large number of retailers in the same segment, however, can result in high competitive pressure and an enormous fight involving prices and ratings. When taking part on marketplaces, it is therefore essential to stay up to date with the high technical requirements and to be able to respond quickly to customer enquiries.



- Company online shops
  A company's own online shops offer the unbeatable advantage of being able to address customers individually and gaining their loyalty. A prerequisite here is therefore that the attention of the customer is directed to the company's online shop. This is done on the one hand through an aggressive brand positioning of the shop. On the other, retailers can make sure that their online shops are placed in a highly visible position in the lists of results produced by Internet search engines such as Google. Both alternatives are associated with exceptionally high costs.
  Positioning using price comparison websites, such as idealo.de and guenstiger.de, is significantly more cost-effective. These platforms provide customers with the opportunity to compare prices and products on offer in various online shops without too much effort. A key factor for retailers here is that they distinguish themselves positively from the competition using other aspects such as product availability and the ability to deliver. It is precisely here that our subsidiaries are able to play to their strengths.

- Shopping clubs and B2B
  Shopping clubs are closed, commercial online groups with a special focus on product lines or target groups; the customer gains access to the group by registering a single time or by receiving an invitation. In addition to remainders and surplus stock, these clubs are increasingly also selling private labels.
  Against the background of our many years of experience, we also develop private labels for products from the sleep products segment for shopping clubs and assume the handling of the distribution for them. The latter we also offer as a service for retail chains with their own online shops and private labels. In this process, we not only fill an existing gap, but also expand our opportunities to generate income at the same time.

- Bricks and mortar sales
  Last but not least, we also maintain a physical presence in order to present a part of our range to customers on the high street – this increases their confidence in an online service provider. Furthermore, precisely for mattresses and box spring beds it is common practice that customers initially continue to try out products on site at specialist retailers, possibly then to go online to search for the best offer. We also want to cater to this requirement. We therefore focus on selling our Grafenfels premium mattress collection through more than 35 specialist retailers throughout Germany. In addition, Grafenfels operates a showroom at the company's headquarters in Berlin-Charlottenburg, while sleepz maintains a showroom in Berlin-Kreuzberg in the immediate vicinity of the old Checkpoint Charlie. Matratzen Union in turn has a warehouse outlet at its Wolfhagen location near Kassel.

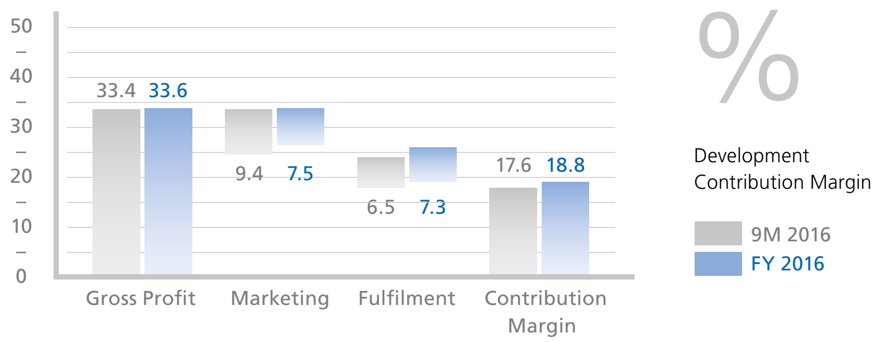
In the past financial year, our subsidiaries generated around 27 % of total sales through marketplaces, 60 % in their own online shops, 8 % through shopping clubs and the B2B business and 5 % in the high street. It is our goal here to achieve in future an even better balanced relationship especially between the "marketplace" and "company online shops" sales channels.

Quality service level

For customers, quality service means first of all professional advice. It is precisely in the mattress and box spring bed segments, which can be difficult for customers to understand, that they rely on help to be able to find the product that is right for them. This is also true in online trading. Our subsidiaries provide their customers with support not only at their high street locations, but also during online purchase with special configuration tools and with advice offered over the phone, in chat applications or by e-mail.

Increasingly, however, the aspects of product availability and deliverability, also known as fulfilment, are becoming the focus of service concepts. Whether the selected product can be delivered immediately or only in several weeks can be a decisive criterion for the decision to buy from one retailer or another. And this aspect will continue to gain in importance also against the background of new sales models such as Amazon Prime, where in return for a monthly fee the customer will not only get the flat rate for postage and packaging waived, but also enjoy preferential delivery – generally within 24 hours. Moreover, the number of returns is lower when delivery is made swiftly than when delivery times are longer. Quick and professional fulfilment thus becomes a critical factor for retailers in generating reasonable contribution margins.

Our subsidiaries are prepared for this. They regularly keep several thousand mattresses, sprung bed slats and box spring beds as well as hundreds of bed linen sets and duvets/pillows in stock at two locations covering a total of 5,500 square metres. As a result, they can ensure that their products are available and can be delivered quickly, and they can already supply their best sellers at "prime" level today. This is also reflected in the contribution margins that they achieve.



Bundling of expertise and resources

Finally, our structure as a group is also a key aspect of our business model. For our subsidiaries do not work on their own and in competition with each other – they work as a team.

Our managing directors and staff boast many years of expertise in their respective fields as well as outstanding networks. The targeted bundling of expertise and resources enables us to gain an advantage over competitors. In the area of purchasing, for example, our subsidiaries enjoy access to all the famous manufacturers. By purchasing larger quantities, we are therefore able as a group to generate volume effects such as better prices and quicker delivery. Already high, the product availability can be further enhanced on our individual channels through "product line substitution", while professional fulfilment can be ensured. For example, Matratzen Union already operates "drop shipping" for Grafenfels today. All of this leads in the medium term to an increase in quality at lower costs.

Our subsidiaries additionally enjoy the support of the holding company, especially in the areas of strategy, finance and marketing. We are looking to further develop this support by establishing an overarching marketing strategy and by centralising other tasks and areas. The objective is to enable our subsidiary companies to focus in the medium term exclusively on their core business.

MARKET AND COMPETITION

Market

The complex of issues surrounding "sleep" will continue to gain in importance – under the influence of demographic changes and the digital revolution. At the same time, over the years commercial channels have slowly but surely shifted from bricks and mortar shops to the Internet. As a result, the price transparency of products and the opportunity to compare them have expanded, while consumers have also become more conscious of price and quality.
The information available on the volume of the furniture market and its potential development varies. The background to this includes the different data sources that underlie the different information.

The management consultancy Titze, which has already been extensively involved in the bedroom furniture market for many years, calculated a sales volume of just under € 5 billion for the segment in 2015; this corresponds to an increase of 15.4 % since 2013 or an annual increase in sales of around 7 %. If this growth rate continues, it would result in a market volume of € 5.8 billion in 2017 and a market volume of something over € 7 billion in 2020. Statista GmbH even assumes sales in 2017 of just under € 7.9 billion in 2017 and a market volume of almost € 8.7 billion by 2020 for the "bedroom" segment.

Overall, at any rate, there is greater growth potential in the bedroom furniture segment than in the furniture segment in general. A variety of underlying conditions – such as the demographic aging 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 for the sector. 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. According to the Titze study, their market share has risen from 14 % in 2012 to almost 40 % today.

bmp's positioning as an "eCommerce company in the sleep products segment" is also relevant when it comes to the development of the online trade, especially in the area of bedroom furniture. According to a white paper published by GfK Geo Marketing GmbH, online sales accounted for 7.8 % of total sales in the interior design and home furnishing sector in 2014. If retail sales remain constant, as the paper assumes, the proportion of online sales across all segments will increase from its current 8.5 % to around

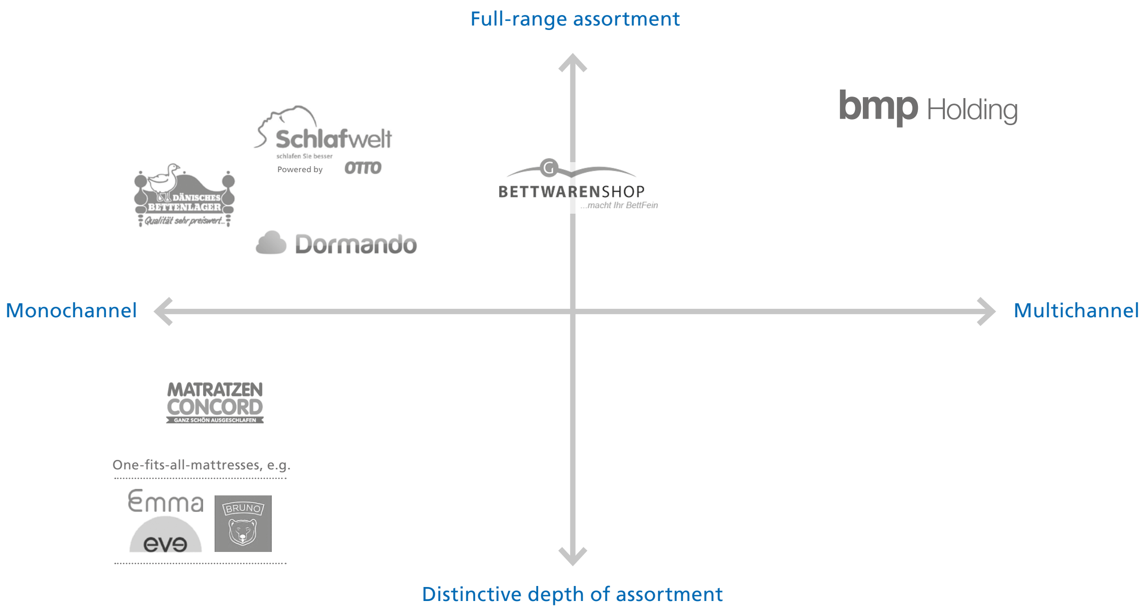
15 % by 2025. In absolute figures, this means an increase in online sales from currently around € 39 billion to € 69 billion even if retail sales remain constant at approximately € 460 billion. For the interior design and home furnishings segment, the study assumes an increase in sales from approximately € 3.5 billion in 2014 to approximately € 6.9 billion in 2025. So sales in this segment are going to double.

When it comes to the market share of the pure online trade in bedroom furniture, the Titze management consultancy expects it to increase from € 642 million (gross end consumer prices) to € 1.3 billion in 2020. This lies within the range of our market assessment from the previous year; we assumed here an online market volume of over € 1 billion for the bedroom furniture segment in 2018.

Competition

As before, no supplier has emerged as a dominant player in our segment thus far. However, the general trends and forecasts for the online trade, the increased attention being paid to the subject of "sleep" and the changing purchasing behaviour of consumers are not only prompting retailers increasingly to attempt to establish themselves in the online trade, but also attracting new providers to the market. This will lead to a further squeezing out of (bricks-and-mortar) specialist retailers, who may generally not be able to meet the technological and logistical challenges of online commerce, and to further consolidation on the market.

The first high street retail chains have been in the process of further developing their online activities for some time now. Moreover, pure online concepts are coming to the market, appearing in strong groups. Finally, the aggressive market launch of the "one fits all" mattresses in the past financial year has also attracted a great deal of attention. What these competitors have in common, however, is that they either do not have a full depth of assortment or their products or the products are sold more or less using a single channel approach. This is where we see an opportunity for bmp to distinguish and position ourselves further from the competition.



Subsidiaries

16 _ **MATRATZEN UNION GROUP**
17 _ **SLEEPZ**
18 _ **GRAFENFELS**

Matratzen Union Group

The company

The companies of the Matratzen Union Group specialise predominantly in the online sale of a selected range of mattress, box spring bed and sprung bed slat brands. Outstanding vendor relationships and a focus on products that are in particularly high demand and enjoy particularly strong sales guarantee excellent product availability at the warehouse. Alongside optimised logistics routines, this forms the basis for a swift and smooth fulfilment process right up to the delivery to the customer. Online sales through marketplaces and the companies' own online shops are supplemented by a bricks and mortar factory outlet in Wolfhagen near Kassel.

In addition to the limited company of the same name, the Matratzen Union Group also comprises the online trading company Markenschlaf GmbH, Ecom Union GmbH and Denkvertrieb GmbH, which provides IT and Online Marketing support to the group companies.

In 2016, the Matratzen Union Group was able to record year-on-year sales growth of 30 %. The reason for this was – in addition to the existing strength in the fields of warehousing and logistics – the regular optimisation of the product range as well as the competency to react to market occurrences extra quickly.

MATRATZEN UNION GROUP AT A GLANCE

Business model	Online trader focusing on mattresses and box spring beds
USP	– 2,500 products in stock – Online configurator for box-spring beds – Factory outlet
Founded	2011
In the bmp Group	since December 2015
Headquarters	Wolfhagen in Hesse
Employees	2016: 29 * | 2015: 20 (* as at 31.12.2016)
Revenue	2016: € 8.4 million | 2015: € 6.4 million
Stake	60 % ** (** as at 31.12.2016)
Domains	markenschlaf.de | schlafnett.de | schlafhandel.de | onletto.de matratzenunion.de | schlafschatz.de | wolkenwunder.de

MARTIN JUNGERMANN
Managing Director
Matratzen Union,
Ecom Union,
Markenschlaf

Head of Matratzen Union Group

is Martin Jungermann. He has worked his way up the ladder in the bedding business. After completing his training as an industrial management assistant at Klute Schlafsysteme GmbH in 1994, the business management graduate went on to hold responsible posts at various furniture companies, including Möbel Schaumann and the Gebers Group. In April 2011, Martin Jungermann founded the first company in the Matratzen Union Group.

sleepz

The company

As a full-range provider with over 50,000 articles, sleepz GmbH offers an especially broad array of the most varied products. In addition to mattresses, beds and sprung bed slats, the wide range of high-margin bedding and bed linen results in a high degree of customer loyalty. sleepz focuses on selling its products through its own online shops as well as online marketplaces and develops and sells private labels for shopping clubs and deal platforms. Moreover, sleepz maintains a large showroom in Berlin.

In 2016, sleepz switched its product focus slightly from the mattress product group, to bedding and bed linen products, which may generate lower sales, but which in return feature higher margins.

In addition, sales channels that did not generate a positive contribution margin were discontinued. Against this background, the company lagged behind the sales that had been expected at the start of the year, yet it was able to reduce the annualized loss by more than a third.

SLEEPZ AT A GLANCE

Business model	Online trader in bedroom furniture, bedding and mattresses
USP	– A range comprising over 50,000 branded items – Online mattress configurator – Showroom
Founded	2012
In the bmp Group	since May 2015
Headquarters	Ludwigsfelde in Brandenburg
Employees	2016: 35 * | 2015: 39 (* as at 31.12.2016)
Revenue	2016: € 5.9 million | 2015: € 6.4 million
Stake	66.8 % ** (** as at 31.12.2016)
Domains	perfekt-schlafen.de | schoene-traeume.de matratzendiscount.de | matratzenheld.de | forliving.de

YOUSSEF HASSAN
Managing Director
sleepz

Head of sleepz

is Youssef Hassan. The business management graduate started working in the bedding sector over 15 years ago. His achievements include setting up and running a factory of the mattress manufacturer Fey & Co. in Aleppo (Syria). Youssef Hassan has been actively involved in eCommerce since 2003. Since then, he has built up and run several companies in the sleep sector.

GRAFENFELS

Grafenfels

The company

Grafenfels Manufaktur GmbH sells a premium mattress collection consisting of five models in total under its eponymous brand name. By adopting this approach, Grafenfels aspires to cater to the most varied needs and sleeping habits of its customers and to support the purchases in their decision-making process by clearly characterising each mattress model by its name.

As the collection tends to range in the higher price bracket because of its high quality, Grafenfels mattresses are primarily sold through specialist retailers on the high street and at its own showroom in Berlin.

Grafenfels was launched on the market at the beginning of 2016 and started the targeted roll-out at specialist retailers from the middle of the year onwards. Approximately 35 specialist retailers located throughout Germany have since been equipped with the sophisticated Grafenfels point-of-sale systems.

GRAFENFELS AT A GLANCE

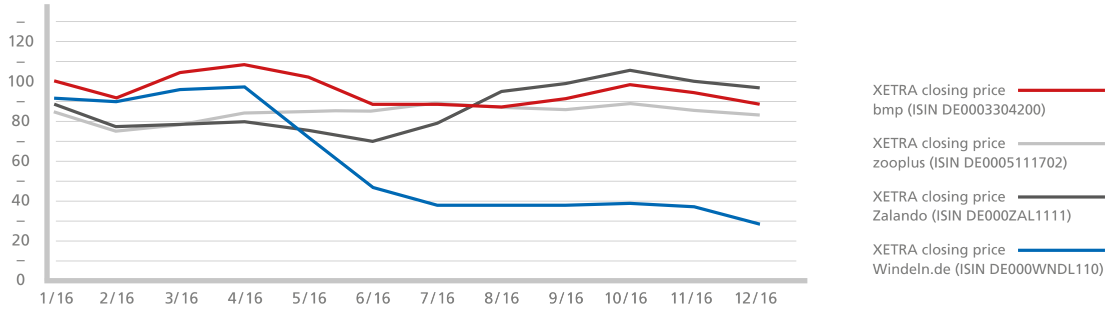
Business model	Establishment of a mattress brand
USP	– Market coverage with a range of 5 types of mattress – Top quality as a result of development with ergonomic institutes – Primarily stationary trading
Founded	2015 (by bmp)
In the bmp Group	since July 2015
Headquarters	Berlin
Employees	2016: 6 * | 2015: 4 * as at 31.12.2016
Revenue	2016: € 0.1 million | 2015: € 0.0 million
Stake	100 % ** ** as at 31.12.2016
Domains	grafenfels.de

STEFAN MÜLLER
Managing Director
Grafenfels

Head of Grafenfels

is Stefan Müller. After training as a toolmaker and spending several years at various production companies, Stefan Müller worked as a freelance management consultant for CT-Formpolster GmbH's Business Development and eCommerce Sales division before coming to Grafenfels in 2015. He therefore offers a perfect blend of production knowledge, industry insight and sales experience.

The bmp share



bmp share price performance from 1 Jan. to 31 Dec. 2016 compared with the peer group (Index 100 = values as at 1 January 2016)

Share price performance

2016 began with falling share prices on stock markets around the world. Shares in bmp were unable to escape this general trend. After starting the new year at € 0.80[1], the share price initially dropped to an annual low of € 0.65 by mid-February. However, the share price had gained almost 39 % by mid-April, reaching its annual high of € 0.91 on 19 April 2016. It then levelled off at a price of about € 0.85. Political and economic uncertainties then set in. Coupled with the outcome of the British referendum on EU membership at the end of June, which came as a surprise to capital market participants, this put pressure on share prices. bmp shares fell as well in this climate, reaching annual lows on two trading days in June. The share price stabilised at around € 0.70 in the subsequent recovery phase. However, disappointing revenue in the third quarter, leading to an adjustment to the annual forecast in September, made the share price prone to fluctuations. It did not rise again until early October, and stood at about € 0.80 at the end of the month. The share price did not manage to maintain this level until the end of the year, and ended the year down almost 9 % at € 0.73, contrary to the general trend towards rising prices, also against the background that turnover in the shares was comparatively low.

Overall, therefore, the development of the share price in the 2016 financial year was not pleasing. However, a direct peer group comparison shows that the bmp share nevertheless performed reasonably well. Only Zalando shares ended the year at the same level as at the start. Shares in zooplus and Windeln.de recorded even bigger losses of 16 % and 71 %.

KEY FIGURES FOR THE BMP SHARE		2015	2016
Share capital	in million €	20.7	20.7
Number of shares (total)	in million of shares	20.7	20.7
Stock market value as at 30 December	in million €	17.4	15.1
Closing price on XETRA on 31 December	in €	0.84	0.73
Maximun price	in €	0.9	0.91
Minimum price	in €	0.56	0.65
Earnings per share	in €	-0.14	-0.46
Volume Germany (average daily turnover)	in shares	33.919	23.179

1 Opening price on XETRA; otherwise, all information based on daily closing prices on XETRA

Shareholder structure

At the reporting date, the voting rights of the 20,701,174 shares were distributed as follows:

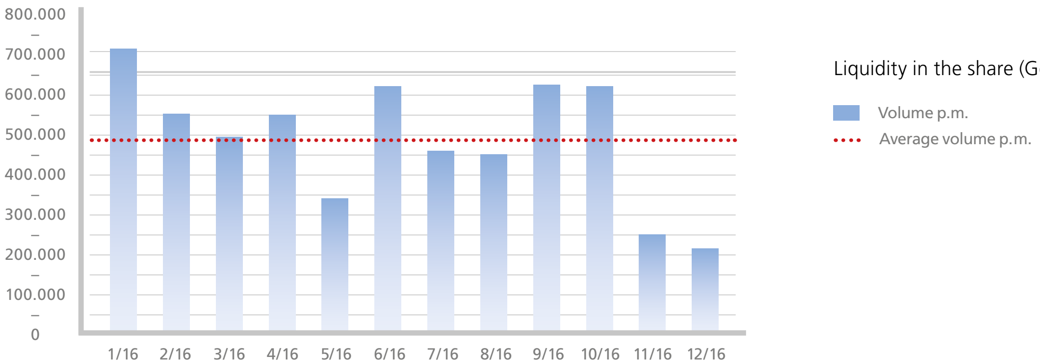
Carin Pepper-Hellstedt*	16.45 %
Oliver Borrmann**	15.75 %
(of which 0.45 % through attribution in accordance with Section 22 (1) no. 6, 1st option of the German Securities Trading Act (WpHG))	
Roland Berger Strategy Consultants Holding GmbH*	7.46 %
Michael Stammler*	3.24 %
Peter R. Ackermann*	3.00 %
Free float	54.10 %

All information relates to current share capital/rounded figures
* According to most recent voting rights notification
** Holdings as at 31 December 2016

The Executive Board directly or indirectly held 15.30 % of the shares at the balance sheet date. Members of the Supervisory Board directly or indirectly held 3.36 % of the shares.

Liquidity in the share

5,910,584 shares were traded in Germany in the 2016 financial year. The share's liquidity has thus declined by almost 32 % year-on-year, in particular in the context of significantly lower turnover in the last two months. The average monthly trading volume was 492,549 shares, representing daily turnover of 23,179 shares per trading day.



Liquidity in the share (Germany)

SHARE INFORMATION		
ISIN	DE0003304200	
WKN	330420	
Bloomberg	BTBA:GR	
Reuters	BTBGk.DE	
Market segment	Frankfurt	Regulated Market (Prime Standard)
	Warsaw	Regulated Market
Exchange shorthand symbol	Frankfurt	BTBA
	Warsaw	BMP

Corporate governance declaration

IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB) (ALSO CORPORATE GOVERNANCE REPORT IN ACCORDANCE WITH SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE IN THE VERSION DATED 5 MAY 2015)

Section 289a HGB and Section 3.10 of the German Corporate Governance Code require the executive and supervisory boards of listed companies to issue a corporate governance declaration and to report on the company's corporate governance once a year.
As part of the corporate governance declaration, the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), which has to be issued once per year, must be reproduced and the relevant disclosures on corporate governance practices must be described, together with the working methods of the Executive Board and Supervisory Board and the composition and working methods of their committees, where these exist. The extent to which the requirements of Section 76 (4) and Section 111 (5) AktG have been fulfilled during the reference period must also be stated, and if these requirements have not been met the reasons for this must be explained.
The German Corporate Governance Code also requires disclosures about other aspects of good corporate governance, which are also dealt with in the following.

I. DECLARATION ON THE CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

The Executive Board and the Supervisory Board last submitted the following declaration on the Corporate Governance Code in accordance with Section 161 AktG on 6 December 2016:

"The Executive Board and the Supervisory Board of bmp Holding AG are obligated to declare at least once a year the extent to which the company followed the recommendations of the current version of the German Corporate Governance Code ("Code") in the reporting period and will follow them in future (declaration of compliance).

With reference to their last declaration submitted on 16 December 2015, the Executive Board and the Supervisory Board of bmp Holding AG declare, in accordance with Section 161 AktG, that the recommendations of the Government Commission of the German Corporate Governance Code (version dated 5 May 2015; published by the Federal Ministry of Justice in the official section of the Federal Gazette [Bundesanzeiger] on 12 June 2015) have been and will be complied with, with the following restrictions:

- D&O insurance deductibles (Section 3.8)
  The Code recommends, with regard to D&O insurance for Supervisory Board members, a deductible equal to the legally prescribed deductible for members of the Executive Board in accordance with Section 93 (2), sentence 3 AktG. bmp Holding AG does not consider this a suitable means of increasing Supervisory Board members' motivation and responsibility when performing their duties.

- Diversity in filling managerial positions (Section 4.1.5)
  The Code recommends that diversity be ensured when filling managerial positions in the company, particularly with regard to appro-

priate consideration of women. bmp Holding AG currently employs two members of staff; there are no management levels below the Executive Board at present. The Executive Board has therefore decided to maintain a target of 0 %, which also takes into account any changes relating to the possible establishment of a management level or levels below the Executive Board by 30 June 2017.

- Composition of the Executive Board (Section 4.2.1)/Diversity in the filling of Executive Board positions (Section 5.1.2)
  The Code recommends that the Executive Board be composed of several persons and have a Chairman or Spokesman. In addition, rules of procedure are to govern the allocation of duties. Furthermore, the Supervisory Board will ensure diversity in the composition of the Executive Board and, in doing so, strive for appropriate consideration of women in particular. The Executive Board of bmp Holding AG has consisted of one member since the last declaration of compliance was submitted. The appointment of a Chairman, as well as the formulation of an allocation of duties, is therefore no longer necessary. The company has also refrained from defining criteria for potential searches for suitable Executive Board candidates that go beyond those of expertise and competence, and will continue to do so. The Supervisory Board has therefore decided not to set a target for the proportion of women on the Executive Board, or to maintain a target of 0 %, until 30 June 2017.

- Composition of the Supervisory Board (Section 5.4.1 – 5.4.2)
  The Code recommends that the Supervisory Board should set specific targets for its composition, which in particular should allow for an appropriate proportion of women. The Supervisory Board of bmp Holding set specific targets for its composition for the first time at its meeting on 6 December 2016. As the board currently consists of only three members in view of the Company's size, the Supervisory Board has decided not to stipulate specific targets for the number of female Supervisory Board members for the time being and to maintain a target of 0% until 30 June 2017.

- Publication of financial reports (Section 7.1.2)
  The Code recommends publishing the annual financial statements within 90 days after the end of the business year and the interim reports within 45 days after the end of the respective reporting period. The company publishes its financial reports – in conjunction with the commitments stemming from the Exchange Rules for the Frankfurt Stock Exchange – within the legally prescribed deadlines, since the costs of faster preparation and publication are disproportionate to the level of information gained by the shareholders.

The Executive Board of bmp Holding AG does not receive remuneration. In addition, due to its size, the Supervisory Board of bmp Holding AG foregoes the formation of committees. The recommendations under Section 4.2.2 – 4.2.5 (Executive Board remuneration) and under Section 5.2. (2), Section 5.3. (Formation of committees) of the Code therefore do not apply."

II. RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

Implementation of the provisions of the German Corporate Governance Code and of best practices for companies listed on the Warsaw Stock Exchange

Shares in bmp Holding AG ("bmp") are listed on both the Prime Standard of Deutsche Börse AG and the regulated market of the Warsaw Stock Exchange. The company is therefore generally required to comply not only with the provisions of the German Corporate Governance Code ("Code"), but also to follow best practices for companies listed on the Warsaw Stock Exchange. Both these reference systems provide companies with guidelines for good corporate governance in the form of recommendations and suggestions taken from internationally and nationally recognised standards.

The Executive Board and Supervisory Board regularly look together at the provisions of the German Corporate Governance Code and examine the extent to which the Company can follow the recommendations and suggestions of the Code. They strive to comply with as many guidelines as possible, and have refined their corporate governance system with this in mind. Nevertheless, bmp deviates from some recommendations of the Code, mainly owing to the size of the company.

The company also looks at the guidelines of Polish best practices. However, as Germany is regarded as the "home state" for bmp shares and bmp is also subject to the provisions of German company and commercial law as a company that is based in Germany, there are some deviations from Polish best practices owing to their incompatibility with German law. bmp also reports on compliance with best practices once a year and publishes this report on its homepage.

You can find the relevant rules influencing our corporate governance practices here:

German Corporate Governance Code
www.dcgk.de/de/kodex/aktuelle-fassung/praeambel.html

Best Practice of GPW listed companies
www.gpw.pl/regulations_best_practices

bmp reports and declarations on compliance with corporate governance under Polish law:
www.bmp-holding.de/de/investor-relations/corporate-governance/corporate-governance-nach-polnischem-recht.html

Compliance at bmp

Compliance is defined as observance of laws and guidelines, as well as of voluntary codes, in companies. Along with good corporate governance, the Executive Board and Supervisory Board regard the development of group-wide compliance measures and structures as a continuous process.

bmp Holding AG employed 2 members of staff as at the reporting date (previous year: 1 employee); the bmp Group employed 72 staff as at the reporting date (previous year: 52 staff). Both the parent company and the bmp Group currently operate exclusively in Germany, with the exception of a minority venture capital investment held by the parent company in Poland. The size of the group allows the Executive Board and managing directors of subsidiaries to have a close and trusting relationship with each individual employee.

The Executive Board and Supervisory Board – as well as managing directors of subsidiaries – therefore make it a priority to raise all employees' awareness of compliance in general on a regular basis. At the same time, they also address any relevant topics and draw up specific measures where necessary. This approach in principle has the advantage that it enables them to respond immediately and at all times to changes in general conditions and processes, which can arise at short notice within the company and/or group-wide, in the context of the bmp Group's growth course.

At the same time, compliance is systematically developed and anchored within bmp Holding and the group. In the last financial year, bmp dealt in particular with the issues of capital

market compliance and the handling of insider information, including with a view to the entry into force of the Market Abuse Regulation. Existing internal standards were updated and developed in line with the new legal situation and their incorporation into internal organisational structures was reviewed.
All employees of bmp and those managing directors and employees of subsidiaries who were allocated share options as part of the employee participation scheme 2015/I also have an obligation to comply with the associated compliance guidelines. The extension of this obligation to all employees of the bmp group is not currently considered to be necessary or reasonable.

You can find the compliance guidelines here:
www.bmp-holding.de/de/investor-relations/corporate-governance/compliance/compliance-richtlinien.html

III. DESCRIPTION OF THE WORKING METHODS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Executive Board

In line with the dualistic principle of German stock corporation law, the Executive Board is responsible for managing the Company.

The Executive Board of bmp consisted of only one member in the 2016 financial year. The board thus also has no chairman and no committees; moreover, no regulations are required on the allocation of duties or on working methods within the Executive Board. The Company nevertheless has rules of procedure for the Executive Board. These comprise a catalogue of measures that require the prior approval of the Supervisory Board. They also govern obligations to provide information to the Supervisory Board.
The Executive Board maintains comprehensive and regular contact – significantly exceeding the level stipulated by statute, the Articles of Association and the rules of procedure – with individual members of the Supervisory Board and the Supervisory Board as a whole.
The Executive Board documents important decisions in writing.

You can find the Executive Board's rules of procedure here:
www.bmp-holding.de/de/investor-relations/corporate-governance/geschäftsordnungen

Supervisory Board

Ahead of the 2016 Annual General Meeting, Gerd Schmitz-Morkramer, the Supervisory Board chairman who had been in office until then, resigned from his seat for personal reasons with effect from the end of the meeting. A new member was therefore elected at the Annual General Meeting and a resolution was passed at the constitutive meeting of the Supervisory Board following the Annual General Meeting regarding its internal organisation in accordance with Section 107 (1) AktG.

Throughout the 2016 financial year, the Supervisory Board consisted of three members, who were as follows:

	1 January to 6 July 2016	6 July 2016 to 31 December 2016
Supervisory Board Chairman	Gerd Schmitz-Morkramer	Bernd Brunke
Deputy Chairman	Bernd Brunke	Michael Stammler
Member	Michael Stammler	Sven Rittau

All current members have been elected for a term that runs until the end of the Annual General Meeting that decides on the discharge of the acts of the Supervisory Board for the business year ending 31 December 2017, that is until the 2018 Annual General Meeting.
Michael Stammler has been appointed as an independent member of the Supervisory Board with expertise in the areas of accounting and auditing as defined by Section 100 (5) AktG.
The Supervisory Board waived the option to form committees in accordance with Section 107 (3) AktG. *(See also points: I. Declaration on the Corporate Governance Code; IV. Disclosures on the stipulations under Sections 76 (4) and 111 (5) AktG; V. a) Further information on corporate governance)*

The Supervisory Board's task is to monitor and advise the Executive Board. The framework for performance of this task is prescribed by law and is regulated in detail under Section IV of the Company's Articles of Association. The Supervisory Board has also set up its own rules of procedure.

The Supervisory Board holds at least two meetings every six months, which the Executive Board generally also attends. If necessary, the Supervisory Board can also meet without the Executive Board.
Meetings are documented in minutes, along with any resolutions that are passed; the Supervisory Board uses an assistant for this. Resolutions may also be passed by telephone, in writing or by e-mail if ordered by the Chairman of the Supervisory Board; these resolutions are also documented in writing. However, a requirement for all resolutions is that all three members of the Supervisory Board must be involved.
(See also the report of the Supervisory Board published on page 34 of the 2016 Annual Report for information on the meeting cycle and the topics discussed by the Supervisory Board during the 2016 business year.)

The Supervisory Board discusses financial reports with the Executive Board before they are published. The Executive Board also reports regularly to the Supervisory Board on the current situation – at the parent company, the subsidiaries and the minority VC interests – as well as on the financial situation, IR and PR measures during the reporting period and other significant events. Apart from this, the Supervisory Board is in regular and close contact with the Executive Board at all times.

You can find the relevant rules that form the framework for the working methods of the Supervisory Board here:

Articles of Association
www.bmp-holding.de/de/investor-relations/corporate-governance/satzung.html

Supervisory Board's rules of procedure
www.bmp-holding.de/de/investor-relations/corporate-governance/geschäftsordnungen

IV. DISCLOSURES ON THE STIPULATIONS UNDER SECTIONS 76 (4) AND 111 (5) AKTG

In accordance with Section 76 (4) AktG, the Executive Board of companies that are listed or subject to co-determination must stipulate a target for the proportion of women at the two management levels below the Executive Board. The company currently does not have any management levels below the Executive Board. The Executive Board therefore decided on 7 September 2015 to maintain a target of 0 %, which also takes into account any changes relating to the possible establishment of a management level or levels below the Executive Board by 30 June 2017.

In accordance with Section 111 (5) AktG, the Supervisory Board of companies that are listed or subject to co-determination must stipulate targets for the proportion of women on the Super-

visory Board and Executive Board and deadlines for achieving them. Insofar as a quota already applies to the Supervisory Board in accordance with Section 96 (2), these only need to be stipulated for the Executive Board. The company is not subject to the provisions of Section 96 (2) AktG. At its meeting on 7 September 2015, the Supervisory Board determined that the proportion of women on the Executive Board and the Supervisory Board on that date was 0 % in each case and resolved that the targets to be reached by 30 June 2017 would be 0 % in each case.
(For the respective reasons in each case, see also: I. Declaration on the Corporate Governance Code in accordance with Section 161 AktG)

V. FURTHER INFORMATION ON CORPORATE GOVERNANCE

A) TARGETS OF THE SUPERVISORY BOARD WITH REGARD TO ITS COMPOSITION

As outlined above, there was a change in the Supervisory Board during the 2016 financial year. The Supervisory Board therefore had to seek a suitable replacement prior to the Annual General Meeting. In accordance with Section 5.4.1, the Supervisory Board must be composed in such a way that its members possess the knowledge, abilities and professional experience required to perform their tasks properly. The Supervisory Board is also expected to set specific targets for its composition, which must be taken into account in proposals to the Annual General Meeting.

At the time it was re-elected, the Supervisory Board had not set any such targets. The Company had declared this deviation from a recommendation of the Corporate Governance Code in its declaration in accordance with Section 161 AktG (as at 16 December 2015), which was still valid at the time the Annual General Meeting was convened and held.

At its meeting on 6 December 2016, the Supervisory Board dealt with this issue in detail and decided to set targets for its composition for the first time, which are to be taken into account in nominations for the Annual General Meeting in future. However, it still did not set specific targets for the proportion of female members on the Supervisory Board.
(See also points: I. Declaration on corporate governance, IV. Disclosures on the stipulations under Sections 76 (4) and 111 (5) AktG)

The specific targets are from now on as follows:

“I. Requirements for individual members of the Supervisory Board

1. General requirements profile

- Entrepreneurial, business or management experience
- General knowledge of the trade sector/ eCommerce
- Willingness and ability for adequate commitment in terms of content
- Fulfilment of regulatory requirements, particularly:
  - Reliability
  - Knowledge in the areas of corporate governance and regulatory law
  - Knowledge of the basics of accounting and risk management
- Compliance with the limit on the number of offices held as recommended by the German Corporate Governance Code and required by Section 100 (2) AktG.

2. Independence

The Supervisory Board of bmp Holding AG should include at least two members who are independent as defined by Section 5.4.2 of the Corporate Governance Code, and in particular who have no business or personal relationship with bmp Holding AG or its bodies, a controlling shareholder or an affiliated company that may give rise to a significant and not merely temporary conflict of interest. However, conflicts of interest cannot always be ruled out in individual cases. Such potential conflicts of interest must be disclosed to the Supervisory Board Chairman and are resolved through appropriate measures.

3. Availability in terms of time

Each member of the Supervisory Board must ensure that he can dedicate the necessary time to performing his duties properly. The following points must be taken into account:

- Up to six Supervisory Board meetings, but at least the four ordinary meetings prescribed by law will be held each year, each of which requires appropriate preparation.
- Special issues or crisis situations may require the Supervisory Board to convene extraordinary meetings or to hold telephone discussions. In crisis situations in particular, this may call for significantly more time than average to be invested.
- Sufficient time must be allowed for reviewing the annual and consolidated financial statements.
- Attendance at the Annual General Meeting is compulsory.

4. Age limit

Members of the Supervisory Board should not generally be any older than 70.

5. Length of service

As a general rule, members of the Supervisory Board should not remain in office for a continuous period of more than 20 years. Furthermore, the cumulative length of service of all Supervisory Board members should if possible not exceed a total of 40 years for a board comprising three members.

II. Requirements for the composition of the board as a whole

1. Specific professional knowledge

- At least one member must have extensive experience in trade, ideally in the field of eCommerce.
- At least one member must have expertise in the areas of accounting or auditing as defined by Section 100 (5) AktG.
- Professional knowledge or experience from other business sectors.

2. Internationality

At least two members should represent regions or cultural spheres in which bmp Holding AG conducts a significant amount of business, based on their origin or activities. At the time these targets were set, bmp Holding AG was active only in Germany.

3. Diversity and adequate involvement of women

The Supervisory Board should be expanded as broadly as possible in terms of personal background, professional experience and expert knowledge. This in principle also includes adequate involvement of women. In view of its current size with only three members, however, the Supervisory Board has decided not to set a target quota going beyond the current figure of 0 %."

The current composition of the Supervisory Board is in line with its objective.

B) CONFLICTS OF INTEREST

There were no consulting agreements or contracts relating to other work or services between the company and individual members of the Supervisory Board in the 2016 financial year.

The company has had a contractual relationship with bmp Beteiligungsmanagement AG since

2011 relating to the provision of investment advice and services. The company's sole Executive Board member is simultaneously a member of the Executive Board and a shareholder of bmp Beteiligungsmanagement AG. This set-up may in principle have given rise to conflicts of interest and may continue to do so in future. In order to take this situation into account, all transactions between bmp Beteiligungsmanagement AG and bmp Holding AG are in principle subject to approval by the Supervisory Board of bmp Holding or may have to be concluded by it on the company's behalf if they fall within its area of responsibility in accordance with Section 112 AktG.

The contractual relationship with bmp Beteiligungsmanagement AG was restructured in the 2016 financial year. Since then, the company has had an investment advice contract/contract on the management/sale of VC investments on one hand. The duties governed by this contract relate to the management and controlling of minority VC interests. There is also a service agreement between the companies. This mainly regulates the transfer of duties relating in particular to finance and business development at bmp Holding and/or its subsidiaries. At the time the Supervisory Board passed a resolution on the approval of the contracts, Supervisory Board member Michael Stammler held shares in bmp Beteiligungsmanagement AG.

No other conflicts of interest involving members of the Executive Board or Supervisory Board that would have had to be disclosed immediately to the Supervisory Board occurred during the 2016 financial year.

Seats held by members of the Executive Board or Supervisory Board on supervisory boards that must be set up by law or on similar controlling bodies of commercial enterprises in Germany and abroad are published in the notes to the consolidated financial statements under nos. 48.3 and 48.4.

C) REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Executive Board does not receive any remuneration from bmp Holding AG; payment for its activities is deemed to have been received through the service contract concluded with bmp Beteiligungsmanagement AG. However, it will receive a refund for any expenses incurred as a result of its work for bmp Holding AG. In addition, the company has taken out pecuniary damage liability insurance (D&O insurance) for the Executive Board, which takes into account the deductible stipulated by Section 93 (2) AktG.

The regulation on remuneration for members of the Supervisory Board that applies to the 2016 financial year was last stipulated by the 2013 Annual General Meeting. In detail, it provides for the following:

"Members of the Supervisory Board shall receive the following annual basic pay for their work:

€ 10,000.00 for the chairman of the Supervisory Board, and € 5,000.00 for the other members of the Supervisory Board.

Members of the Supervisory Board shall also receive the following attendance fees for each meeting they attend, including via video and/or audio link:

€ 2,500.00 for the chairman of the Supervisory Board, € 1,500.00 for the deputy chairman of the Supervisory Board, and € 1,000.00 for ordinary members of the Supervisory Board.

They shall not receive attendance fees for participation in meetings or in the passing of resolutions organised via any other means, particularly for participation in any other telephone or video conference.

In the event of a change of 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 pay shall be granted pro rata temporis.

In addition to remuneration, any value added tax that is owed shall be paid at the level required by law."

In accordance with Section 16 of the company's Articles of Association, the Supervisory Board will also be reimbursed for any expenses incurred in connection with its activities. The company has taken out adequate pecuniary damage liability insurance (directors' & officers' liability insurance – D&O insurance) for members of the Supervisory Board, also in accordance with Section 16 of the company's Articles of Association. This does not provide for the deductible stipulated under Section 3.8 of the Corporate Governance Code. *(For the reasons for this, see: I. Declaration on the Corporate Governance Code in accordance with Section 161 AktG)*

In detail, members of the Supervisory Board received the following remuneration in the last financial year:

	Basic pay	Attendance fees
Gerd Schmitz-Morkramer *	5,000.00	5,000.00
Bernd Brunke **	7,500.00	10,500.00
Michael Stammler ***	5,000,00	6,500.00
Sven Rittau ****	2,500.00	3,000.00

* 1 January – 6 July 2016: Chairman of the Supervisory Board; then left the Company
** 1 January – 6 July 2016: Deputy Chairman of the Supervisory Board, since then Chairman of the Supervisory Board
*** 1 January – 6 July 2016: ordinary member, since then Deputy Chairman of the Supervisory Board
**** Since 6 July 2016: ordinary member

The 2016 Annual General Meeting resolved upon a new regulation on remuneration, although this comes into effect only from 1 January 2017.

D) STOCK OPTION PROGRAMME

The Annual General Meeting of 17 June 2015 authorised the Executive Board and, to the extent that members of the Executive Board are affected, the Supervisory Board to launch a share option scheme and to issue subscription rights for up to 2,070,117 company shares to Executive Board members, members of the management of subsidiaries and select employees of the company and of subsidiaries by 16 June 2020. The Executive Board and the Supervisory Board had resolved on such a share option scheme in the 2015 financial year and issued a total of 615,000 options.
(For details, please refer to the corresponding disclosures in the 2015 corporate governance report – particularly page 26 – published in the 2015 Annual Report. The 2015 Annual Report is available from http://www.bmp-holding.de/de/investor-relations/berichte)

No options were issued in the 2016 financial year.

E) REPORTABLE SECURITIES TRADING ACTIVITIES AND SHAREHOLDINGS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

Members of the Executive Board and Supervisory Board and related parties must disclose any transactions in shares of bmp Holding AG or related financial instruments if the value of these transactions reaches or exceeds the sum of € 5,000.00 within one calendar year.

The following transactions were reported to bmp Holding AG in the 2016 financial year and published by the Company:

Date	Name	Function	Location and type of transaction	Shares	Price per share	Total volume
8 January 2016	Augustina Lucia Borrmann	Dependent child of managing body	Purchase of shares, XETRA	25,000	0.7792 €	19,840.00 €
8 January 2016	Carolina Florentina Borrmann	Dependent child of managing body	Purchase of shares, XETRA	25,000	0.7792 €	19,840.00 €
8 January 2016	Victoria Emilia Borrmann	Dependent child of managing body	Purchase of shares, XETRA	25,000	0.7792 €	19,840.00 €

As at 31 December 2016, 3,167,956 shares, corresponding to 15.30 % of shares issued by bmp Holding AG, were held directly or indirectly by the Executive Board. The members of the Supervisory Board held 695,000 shares as at the reporting date, which corresponds to 3.36 %.

F) SHAREHOLDERS AND ANNUAL GENERAL MEETING

The Annual General Meeting gives shareholders of bmp Holding AG a framework in which to exercise their rights in accordance with the law and the company's Articles of Association. It takes place once a year.
At the Annual General Meeting, shareholders have an opportunity to ask questions about the financial statements that have been presented. It is also the responsibility of the Annual General Meeting to resolve upon the points regulated in Section 119 AktG. Each share carries one vote.

The company supports shareholders in exercising their rights and voting by proxy by appointing a representative to exercise voting rights in accordance with instructions. However, for cost reasons bmp does not provide for postal voting or for electronic participation or voting. All relevant documents and information concerning the Annual General Meeting are also made available to shareholders on the website at an early stage, to enable them to prepare adequately for the Annual General Meeting.

G) TRANSPARENCY

The company also attaches importance to open and trusting communication, both with shareholders and with all other stakeholders, outside of the Annual General Meeting. Its aim is to provide them with all relevant key financial figures and other facts of relevance to valuation promptly and on an equal footing. The Investor Relations section of our website serves as an important source of information in this process; along with financial reports and capital market information, the latest company presentations are also published there.

H) ACCOUNTING AND AUDITING

The consolidated financial statements and interim report as at 30 June 2016 (half-yearly report) have been prepared in accordance with the International Financial Reporting Standards (IFRS), the application of which is mandatory in the European Union. However, the single-entity financial statements of bmp Holding AG have been prepared in accordance with the provisions of the German Commercial Code (HGB). Financial reports are discussed with the Supervisory Board before they are published. In derogation from the recommendations of the Corporate Governance Code, the reports are published within the deadlines stipulated by law.
(For the reasons for this, see: I. Declaration on the Corporate Governance Code in accordance with Section 161 AktG)

The consolidated financial statements and annual financial statements are audited by an auditor that has previously been appointed by the Annual General Meeting for a period of one financial year in accordance with the statutory regulations. However, the half-yearly report is not audited.

Since 2016, it has no longer been a legal requirement to prepare financial reports in accordance with international or national accounting standards as at 31 March or 30 September. Pursuant to Section 51a of the Exchange Rules for the Frankfurt Stock Exchange, however, companies on the Prime Standard of the Regulated Market must produce quarterly announcements in which they provide information, in a purely descriptive report, on issues such as significant events and transactions in the announcement period and their impact on the financial position. The Executive Board fulfils this obligation within a deadline of two months after the respective reporting date.

I) RISK MANAGEMENT AND -CONTROLLING

Dealing with risks responsibly is part of corporate governance at bmp Holding AG. The company has put in place a risk management system that is oriented towards the business activities, size and structure of the company.
The company has a risk management manual, which lists any risks and assesses their significance to the company and the group. This manual also describes measures and process flows, along with control mechanisms.
The functionality of the risk management system is continuously reviewed and measures and process flows are adjusted promptly if required.

As the company does not have an audit committee, it is the responsibility of the Supervisory Board as a whole to regularly monitor the effectiveness of the accounting process and the internal control and risk management system. The Executive Board reports to it regularly in this regard. *(Further information on risks and the risk management system is published in the 2016 Annual Report, in the notes to the consolidated financial statements for 2016 under no. 40 Risks and risk management and in the management report of the consolidated financial statements*
from page 85 onwards. The Supervisory Board report includes information about how it has dealt with these issues. This report is also published in the 2016 Annual Report from page 34 onwards.)

Report of the Supervisory Board of bmp Holding AG

DEAR SHAREHOLDERS,

Our task as the Supervisory Board of bmp Holding AG is to monitor the Executive Board's management activities on a regular basis and advise the Executive Board on the management of our company. In the following report, we will inform you of how we fulfilled this task in the 2016 financial year.

Collaboration between the Executive Board and the Supervisory Board

A regular and comprehensive exchange of information as well as trusting and efficient collaboration between the Executive Board and the Supervisory Board are key aspects for performing our task.

The Executive Board primarily reported to us at our Supervisory Board meetings and in a written report in those months in which no meeting was held. Owing to the size of the board, we did not form committees. The Executive Board therefore always reports to the Supervisory Board as a whole on all relevant issues of the business performance, financial planning and the financial position, the status of strategic projects, the risk situation at the level of both the company and the group, and the exit status of the minority VC interests still held by the company. The Executive Board also informs us about deviations from the planning or from previously reported developments or targets. If issues arise at short notice, we hold additional teleconferences with the Executive Board where necessary. In addition, the Executive Board is in regular contact with the Chairman of the Supervisory Board in particular. The Executive Board fulfilled its duty to provide information regularly, comprehensively and promptly at all times. We were thus able to deal with all topics in depth and discuss them together with the Executive Board.

In accordance with the law, the Articles of Association and the rules of procedure for the Executive Board, certain transactions by the company require the approval of the Supervisory Board. All legal transactions subject to approval were submitted to us for a decision. We received draft resolutions and any necessary background information from the Executive Board prior to adopting resolutions. These documents were always delivered to us early enough that we had sufficient time to check them for completeness and plausibility, to discuss them and to arrive at a well-informed opinion.

Overall, we had a fully comprehensive picture of the position of the company and the group at all times and were able to satisfy ourselves of the legality, expediency and proper order of the management. In the 2016 financial year, we responsibly, carefully and comprehensively fulfilled the duties incumbent upon us in accordance with the law, the Articles of Association and the rules of procedure.

There were no consulting agreements or contracts relating to other work or services between the company and individual members of the

Supervisory Board in the 2016 financial year. However, there is a contractual relationship between the company and bmp Beteiligungsmanagement AG relating to the provision of investment advice and services. In addition, our Executive Board member is simultaneously an Executive Board member and shareholder of bmp Beteiligungsmanagement AG. This set-up may in principle have given rise to conflicts of interest and may continue to do so in future. Until April 2016, the Supervisory Board member Michael Stammler also still held an investment in the company. This may in principle have given rise to conflicts of interest. In this context, please refer to our comments in the 2016 corporate governance report prepared jointly with the Executive Board.

There were no indications in the past financial year of any further conflicts of interest involving the Executive Board member or Supervisory Board members that would have had to be disclosed immediately to the Supervisory Board and reported to the Annual General Meeting.

Meetings of the Supervisory Board

In accordance with the statutory provisions, we met in person for five meetings in the 2016 financial year. In addition to the full Supervisory Board, these meetings were also attended by the Executive Board.

As mentioned, the Executive Board informed us at all of our meetings about the current business position and its assessment of the company's development with regard to both bmp Holding and group, as well as about significant transactions, the status of the remaining minority interests, and key financial figures. We also dealt with issues relating to the accounting process, risk management and the internal control system at our meetings. The same applies to the topic areas of corporate governance, compliance and HR matters.

At our first meeting on 9 February 2016, we also dealt particularly intensively with the investment advice and service agreement in place between the company and bmp Beteiligungsmanagement AG and the amendment of this agreement. The corporate governance report for the 2015 financial year was also approved. We also discussed aspects of the current and future composition of the Supervisory Board and Supervisory Board remuneration.

One focus of the meeting on 21 April 2016 was the approval of the annual and consolidated financial statements for 2015 and of the Supervisory Board report. We also discussed the 2016 Annual General Meeting. In relation to a potential resolution proposal to adjust the Supervisory Board remuneration, the company had previously performed a comparison of Supervisory Board remuneration in our peer group. We discussed the results of this comparison as part of our handling of the topic.

The third Supervisory Board meeting in the 2016 financial year was held on 6 July after the Annual General Meeting. Because a new Supervisory Board member had been elected at the Annual General Meeting, we initially reconstituted the Supervisory Board at the meeting. The Executive Board also provided a comprehensive overview of the status and developments both at the company and at its subsidiaries. In view of the entry into force of the Market Abuse Regulation – the main content of which, particularly that relating to the Supervisory Board, had already been communicated to us in writing – we discussed any requirements and effects of the Regulation on the company and particularly also on external communications.

At the meeting on 24 October 2016, we particularly dealt with any effects on the Supervisory Board's work from the Audit Reform Act that came into force on 17 June 2016, as well as discussing the usual recurring topics. We also discussed the efficiency of our work. With the help of an evaluation form, we discussed our expectations for an efficient working method.

At the meeting on 6 December 2016, the annual plan for 2017 was approved. The meeting also focused on the topic areas of corporate governance, compliance and risk management. In this context, we also defined and adopted specific targets for our future composition as the Supervisory Board for the first time. Together with the Executive Board, we also submitted the declaration in accordance with Section 161 of the German Stock Corporation Act (AktG) that is required to be submitted once a year. In this context, please refer to our comments in the 2016 corporate governance report prepared jointly with the Executive Board. The current declaration of compliance as well as those from previous years are published on the company's website.

Remuneration of the Executive Board

As before, there is no employment contract with the Executive Board member, although he receives a refund for any expenses incurred as a result of his work for bmp Holding AG. In addition, the company has taken out pecuniary damage liability insurance (D&O insurance) for the Executive Board, which takes into account the deductible stipulated by Section 93 (2) AktG.

Employee participation scheme

In the 2015 financial year, the Executive Board and the Supervisory Board had resolved on a share option scheme based on the authorisation by the Annual General Meeting of 17 June 2015. No options were issued in the 2016 financial year. In this context, please refer to our comments in the 2016 corporate governance report prepared jointly with the Executive Board.

Corporate governance

We once again dealt with the topic area of corporate governance in depth in the past financial year. Our goal is to comply with the corporate governance standards prescribed by Government Commission of the German Corporate Governance Code ("Code") as comprehensively as possible. However, in view of the size and organisational structure of bmp Holding AG and the group, it does not make sense to follow all recommendations of the Code.

This particularly applies to the recommendations of the Code with regard to adequate representation of women in management positions and on the Executive Board and Supervisory Board. In this respect, the Code follows the statutory requirement for listed companies to set targets for the proportion of women in management positions and on the Executive Board and the Supervisory Board. We consider equal participation of women in management positions to be a relevant labour market and sociopolitical issue. However, we believe that – in view of the size of the boards at bmp – setting targets for the proportion of women would restrict us in the selection of professionally suitable candidates to a degree that is not in the interests of the company and its shareholders. Our Executive Board currently consists of only one member. An expansion of the board would therefore necessarily be required if the company wished to set a target of more than 0 % for the proportion of women. Meanwhile, the Supervisory Board currently consists of three members. In the past financial year, we set extensive specific targets for our composition for the first time and we also intend to take these into account in the nominations we put forward to the Annual General Meeting in the future. We aim to make the board as diverse as possible in terms of personal background, professional experience and expert knowledge. This in principle also includes adequate involvement of women. However, we do not consider it expedient to set a fixed target quota to be achieved in this case, as this could potentially come at the expense of all other criteria for the selection of suitable candidates.

The Supervisory Board therefore decided back in the 2015 financial year that the target to be achieved by 30 June 2017 with regard to the proportion of women on the Executive Board and on the Supervisory Board would be 0%. The Supervisory Board will discuss this matter again in summer 2017. In this context, please refer to our comments in the 2016 corporate governance report prepared jointly with the Executive Board.

bmp's shares are traded on the Regulated Market of both the Frankfurt Stock Exchange and the Warsaw Stock Exchange. For this reason, bmp must also observe the provisions on good corporate governance that apply to companies listed on the Warsaw Stock Exchange. The company also publishes a report on this once a year, which is published on our website.

Personnel changes in the Supervisory Board

The long-standing Supervisory Board chairman, Gerd Schmitz-Morkramer, resigned from his position on the Supervisory Board with effect from the end of the Annual General Meeting on 6 July 2016. The members of the Supervisory Board would like to thank Gerd Schmitz-Morkramer for his many years of good collaboration.

At the Annual General Meeting, Sven Rittau was elected as a new member of the Supervisory Board for a term that runs – in accordance with Article 10 (4) Sentence 1 of the Articles of Association of bmp Holding AG – until the end of the Annual General Meeting that decides on the approval of the actions of the Supervisory Board for the financial year ending on 31 December 2017 – that is, until the 2018 Annual General Meeting.

At the Supervisory Board meeting following the Annual General Meeting, the former deputy chairman of the Supervisory Board, Bernd Brunke, was elected as the new chairman of the Supervisory Board and the former ordinary member, Michael Stammler, was elected as deputy chairman in accordance with Section 107 AktG.

Audit of the annual and consolidated financial statements

The 2016 annual financial statements prepared by the Executive Board in accordance with the regulations of the German Commercial Code (HGB) and the management report were audited by the company appointed as the auditor of the financial statements for the 2016 financial year by the Annual General Meeting on 6 July 2016, RSM Verhülsdonk GmbH Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, Berlin office ("RSM Verhülsdonk", "the auditor").

In accordance with Section 315a HGB, the consolidated financial statements for the 2016 financial year and the Group management report were prepared on the basis of the International Financial Reporting Standards (IFRS) as applicable in the European Union. These financial statements were also audited by RSM Verhülsdonk in accordance with the resolution adopted by the Annual General Meeting on 6 July 2016. As part of its audit activities, the auditor satisfied itself of the effectiveness of the accounting-related internal control system and confirmed this.

Before commissioning the auditor, the Supervisory Board had satisfied itself of the auditor's independence and agreed on the following focus areas for the audit:

- Carrying amounts of the subsidiaries
- Review of revenue recognition
- Consolidation
- Carrying amounts of the former VC portfolio

At the accounts meeting of the Supervisory Board on 26 April 2017, we discussed the financial statement documents and the audit reports in detail. The Executive Board had delivered the documents to us sufficiently in advance of the meeting, thus enabling us to obtain an independent picture and examine the documents particularly with regard to their legality, expediency and proper order. The auditor was present at the of its audit and on its findings with regard to the internal control and risk management system. The auditor was also available to answer questions.

After completing our reviews, we came to the conclusion that there are no objections to be raised against the financial statements or the audit by the auditor. We therefore gave our approval to the findings of the audit and approved the annual financial statements of bmp Holding AG and the consolidated financial statements on 26 April 2017. The annual financial statements were thereby approved.

The Supervisory Board would like to thank the Executive Board and all employees of the bmp Group for their efforts and achievements in the 2016 financial year.

Berlin, 26 April 2017

Bernd Brunke
Chairman of the Supervisory Board

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Consolidated Balance Sheet as at 31 December 2016

Assets	Notes	2016	2015
		€	T€
Long-term assets			
Intangible assets	19,20	4,883,152.70	4,899
Tangible assets	21	434,668.02	297
Fixed asset securities		12,665.00	9
		5,330,485.72	
Current assets			
Inventories	22	2,251,284.71	1,495
Assets marked for sale of discontinued operation	18	5,493,481.73	16,334
Receivables and other assets	23	235,629.29	274
Trade accounts receivable		1,215,047.02	750
Cash on banks and cash on hand	25	798,417.78	1,943
		9,993,860.53	
Total assets		**15,324,346.25**	**26,001**

Liabilities	Notes	2016	2015
		€	T€
Shareholders´ equity			
Subscribed capital	26	20,701,174.00	20,701
Capital reserves	28	1,049,770.12	993
Other revenue reserves		668,123.39	783
Accumulated net loss		-15,172,656.27	-5,616
Minorities		340,167.33	6
		7,586,578.57	
Non-current liabilities			
Liabilities towards banks	32	21,084.44	29
Loans	31	429,438.70	1,012
		450,523.14	
Current liabilities			
Trade accounts payable		1,183,378.01	1,550
Liabilities towards banks	32	2,153,841.26	1,441
Prepayments received		191,464.98	249
Other liabilities	33	3,718,100.29	4,312
Provisions		40,460.00	37
Liabilities of discontinued operation	18	0.00	**504**
		7,287,244.54	
Total liabilities		**15,324,346.25**	**26,001**

Consolidated Statement of Comprehensive Income for the Period 1.1. to 31.12.2016

	Notes	2016 €	2015 T€
Sales revenue			
Sales revenue		14,355,562.47	4,754
Other operating income			
Other operating income		101,753.76	181
Income from consulting and commissions		531,246.04	734
Change in inventories		77,304.37	0
Cost of materials			
Cost of sales and services purchased	34	-9,788,121.39	-3,173
Staff costs			
Wages and salaries	35	-1,797,124.46	-648
Social security contributions and costs for pensions and support		-377,404.18	-132
Depreciations			
Depreciation on tangible and intangible fixed assets		-245,035.25	-102
Other operating expenses	37	-4,874,867.18	-3,473
Operating income		**-2,016,685.82**	**-1,859**
Income from investments		46,872.75	0
Interest and similiar income		4,737.23	2
Interest and similiar expenses		-415,289.60	-129
Income taxes	38	-111,714.00	-9
Result from continuing operations		**-2,492,079.44**	**-1,995**
Result from discontinued operations	18	-7,335,470.08	-1,447
Consolidated net result		**-9,827,549.52**	**-3,442**
Share of result of non-controlling interests		271,460.18	636
result attributable to shareholders of the company		-9,556,089.34	-2,806
Earnings per share from continuing operations (diluted and non-diluted)		-0.11	-0.07
Earnings per share from discontinued operation (diluted and non-diluted)		-0.35	-0.07
Earnings per share (diluted and non-diluted)		-0.46	-0.14
Consolidated net result		**-9,827,549.52**	**-3,442**
Other comprehensive income		0.00	0
Comprehensive income		**-9,827,549.52**	**-3,442**

Consolidated Cash-Flow Statement for the Period 1.1. to 31.12.2016

	Notes	2016 T€	2015 T€
Cash flow from operations			
Consolidated net result		-9,827	-3,442
Result of discontinued operation	18	7,335	1,447
Depreciation of intangible and tangible assets		245	103
Share of result of non-controlling interests		271	636
Other non-cash items		57	0
Decrease/(-) increase in assets and increase/(-) decrease in liabilities			
Receivables and other assets		-427	-900
Inventories		-756	-1,495
Other liabilities	33	-1,018	2,939
Provisions		3	37
Cash-flow from ordinary business activities		**-4,117**	**-675**
Cash flow from investments			
Additions to fixed asset securities		-4	-9
Additions to intangible and tangible assets		-367	-612
Acquisition costs of consolidated companies		0	-5,591
Increase of the share of subsidiaries		-114	-189
Total cash-flow from investments		**-485**	**-6,401**
Cash flow from financing			
Liabilities towards banks	32	705	1,271
Minorities		334	6
Loans	31	-583	4,012
Total cash-flow from financing		**456**	**5,289**
Change in liquid funds		**-4,146**	**-1,787**
Acquired liquid funds		0	1,596
Cash-flow from discontinued operation	18	3,001	2,115
Total change in liquid funds		**-1,145**	**1,924**
Liquid funds at the beginning of the business year		1,943	19
Liquid funds at the end of the business year		798	1,943

Consolidated Statement of Changes in Equity

Figures in T€	Notes	Subscribed capital	Capital reserve	Other profit reserves	Minorities	Accumu-lated net result	Total
Equity as at 01.01.2016	26,28	**20,701**	**994**	**782**	**6**	**-5,617**	**16,866**
Net result					-271	-9,557	-9,828
Transactions with non-controlling interests				-114			-114
Share-based compensation			57				57
Shares of non-controlling inte-rests					605		605
Equity as at 31.12.2016	26,28	**20,701**	**1,051**	**668**	**340**	**-15,174**	**7,586**
Equity as at 01.01.2015	26,28	**20,701**	**994**	**972**	**0**	**-2,811**	**19,856**
Net result					-636	-2,806	-3,442
Transactions with non-controlling interests				-190			-190
Shares of non-controlling inte-rests					642		642
Equity as at 31.12.2015	26,28	**20,701**	**994**	**782**	**6**	**-5,617**	**16,866**

Notes to the Annual Financial Statement of bmp Holding AG for Business Year 2016

I. General information

1. Business activities of the company

bmp Holding AG is a corporate group focused on online trading in sleep products. Its subsidiaries maintain a full range of brand products and private labels (beds, mattresses, bedding etc.) and sell these through a multichannel approach.

According to the statutes, the purpose of the company is now to develop and produce economic assets and to trade such assets, particularly in the consumer goods sector, including via subsidiaries, associates and equity investments, as well as to perform consulting services for companies, particularly services in the area of management consulting, to the extent that such services do not require a legal permit.

bmp Holding AG was founded on 24.06.1997 under German law, its headquarters are located 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.

2. General Information

The annual financial statements show the assets and financial earnings situation, along with capital flows in accordance with actual conditions. The statement of comprehensive income is structured according to total cost accounting. The annual financial statements are shown in euro. Unless otherwise noted, all amounts are rounded off according to normal business procedures in thousands of euro (€ thousand or EUR thousand). With the exception of certain financial instruments which are recognised at fair value, the information in the annual financial statements is given based on amortised cost.

The annual financial statements were prepared by the company on 19 April 2017. Post-balance sheet effects are taken into account up to that date.

3. Scope of consolidation

Name	Principal activities	Headquarters	Share of capital and voting rights in 2016	Share of capital and voting rights in 2015
sleepz GmbH	Operating and further developing online shops as well as multichannel sales, in particular of bedding and furniture of all kinds	Ludwigsfelde, Germany	66.8%	60.08%
Matratzen Union GmbH	Purchasing and selling mattresses, bedding and sleep systems	Wolfhagen, Germany	60.00%	60.00%
Markenschlaf GmbH	Trading in goods of all kinds, particularly products relating to sleep, furnishings and living, as well as comparable consumer goods	Wolfhagen, Germany	60.00%	60.00%
Ecom Union GmbH	Trading in goods of all kinds, particularly products relating to sleep, furnishings and living, as well as comparable consumer goods	Wolfhagen, Germany	60.00%	60.00%
Denkvertrieb GmbH	Developing marketing strategies, graphic design and implementation, textual design, selling and trading via internet platforms, developing sales strategies and designing and optimising websites	Wolfhagen, Germany	60.00%	60.00%
Grafenfels Manufaktur GmbH	Designing, manufacturing and selling mattresses, bedding, bed linen and all other products relating to the theme "sleep"	Berlin, Germany	100%	100%
ReFer GmbH	Acquisition and holding of investments	Berlin, Germany	100%	100%

A summary of financial information regarding the Group's subsidiaries with significant non-controlling interests is provided below. The summarised financial information corresponds to the amounts before intergroup eliminations.

sleepz GmbH was included in the consolidated financial statements of bmp Holding AG as of 01 May and the Matratzen Union Group as of 01 December. The previous year's profit and loss account represents these periods.

For the Matratzen Union Group:

in T€	31.12.2016	31.12.2015
Non-current assets	126	65
Current assets	2,597	2,634
Non-current liabilities	21	29
Current liabilities	1,825	2,115
Share of equity attributable to bmp Holding AG shareholders	526	333
Non-controlling interests	351	222

In T€	2016	2015
Sales revenue	8,582	701
Other income	57	2
Expenses	8,318	694
Total gains/losses after taxes	322	9
of which share of gains/losses attributable to bmp Holding AG shareholders	193	5
of which non-controlling interests	129	3
Share of other comprehensive income attributable to bmp Holding AG shareholders	0	0
Non-controlling interests in other comprehensive income	0	0
Total other comprehensive income	0	0
Share of total comprehensive income attributable to bmp Holding AG shareholders	193	5
Non-controlling interests in total comprehensive income	129	3
Total comprehensive income	**322**	**9**

in T€	31.12.2016	31.12.2015
Dividends paid to non-controlling interests	0	0
Net cash flow from operating activities	-411	-18
Net cash flow from investing activities	-89	-4
Net cash flow from financing activities	-328	0
Total net cash flow	**-827**	**-22**

For sleepz GmbH:

in T€	31.12.2016	31.12.2015
Non-current assets	339	424
Current assets	1,636	1,434
Non-current liabilities	429	1,012
Current liabilities	1,171	1,386
Share of equity attributable to bmp Holding AG shareholders	250	-325
Non-controlling interests	124	-216

In T€	2016	2015
Sales revenue	5,886	4,136
Other income	84	19
Expenses	7,120	5,590
Total gains/losses after taxes	-1,151	-1,436
of which attributable to bmp Holding AG shareholders	-769	-863
of which non-controlling interests	-382	-573
Share of other comprehensive income attributable to bmp Holding AG shareholders	0	0
Non-controlling interests in other comprehensive income	0	0
Total other comprehensive income	0	0
Share of total comprehensive income attributable to bmp Holding AG shareholders	-769	-863
Non-controlling interests in total comprehensive income	-382	-573
Total comprehensive income	**-1,151**	**-1,436**

in T€	31.12.2016	31.12.2015
Dividends paid to non-controlling interests	0	0
Net cash flow from operating activities	-1,479	-1,455
Net cash flow from investing activities	-89	-520
Net cash flow from financing activities	1,461	2,108
Total net cash flow	**-107**	**133**

4. Basics of the annual financial statements

As a capital market-oriented company, bmp Holding AG prepares its consolidated financial statements in compliance with § 315a HGB (Handelsgesetzbuch) according to International Financial Reporting Standards (IFRS), as required by the European Union. The consolidated financial statements presented is in accordance with IFRS and takes into account all standards and interpretations which are compulsory for all business years beginning on 1 January 2016 or later. The consolidated financial statements are supplemented by a group management report according to § 315 HGB as well as additional clarifications according to § 315a HGB.

Where relevant, bmp has applied the following accounting standards for the first time in preparing its accounts for 2016:

- In December 2013, the IASB approved the Annual Improvements Projects 2010- 2012. The omnibus standards concerns the following standards: IFRS 2 – Definition of ‚vesting condition'; IFRS 3 – Accounting for contingent consideration in a business combination; IFRS 8 – Aggregation of operating segments; IFRS 8 – Reconciliation of the total of the reportable segments' assets to the entity's assets; IFRS 13 – Short-term receivables and payables; IAS 16/IAS 38 – Revaluation method—proportionate restatement of accumulated depreciation and IAS 24 – Key management personnel. All amendments are mandatory with effect from 1 July 2014 and are to be applied prospectively only. Use for earlier periods is permitted. Within the framework of the EU endorsement the compulsory application has been postponed to business years beginning 1 February 2015 or later. The amendments have no material effect on the consolidated financial statements of bmp Holding AG.
- The IASB issued amendments to IAS 19 in November 2013. With this amendment, the IASB simplifies corporate recognition of employee or third-party contributions to a pension plan. It is mandatory to apply these amendments for business years beginning on or after 1 July 2014. Use for earlier periods is permitted. The EU endorsement was in December 2014. Within the framework of the EU endorsement the compulsory application has been postponed to business years beginning 1 February 2015 or later. The amendments have no material effect on the consolidated financial statements of bmp Holding AG.
- In May 2014, the IASB issued additions to IFRS 11 "Joint Arrangements". This clarifies that both the initial acquisition or the additional acquisition of interests in a joint operation, which constitutes a business, are to be accounted for using the regulations on recognising business combinations in IFRS 3, unless they conflict with the regulations of IFRS 11. In addition, the disclosure requirements in IFRS 3 are to be fulfilled. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. The EU was in November 2015. The amendment has no relevance to bmp Holding AG.
- In May 2014, the IASB issued amendments to IAS 16 and IAS 38. With these amendments, the IASB provides further clarification on acceptable methods of depreciation and amortisation. Accordingly, revenue-based depreciation and amortisation methods are not appropriate for property, plant and equipment and are appropriate for intangible assets only in certain exceptional circumstances. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. The EU endorsement was in December 2015. The amendments have no material effect on the consolidated financial statements of bmp Holding AG.
- In June 2014, the IASB issued amendments to IAS 16 and IAS 41. This results in amendments to the reporting of bearer fruits. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. The EU endorsement was in November 2015. The amendments have no relevance to bmp Holding AG.
- In August 2014, the IASB issued amendments to IAS 27. This results in changes for separate financial statements. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. The EU endorsement was in December 2015. The new standard is not relevant for the consolidated financial statements of bmp

Holding AG.

- In September 2014, the IASB approved the Annual Improvements Projects 2012- 2014. The omnibus standard concerns the following standards: IFRS 5 – Held for Sale and Discontinued Operations – Changes in Methods of Disposals; IFRS 7 – Transfer Disclosures for Servicing Contracts; IFRS 7 – Applicability of amendments to condensed interim financial statements; IAS 19 – Discount rate: regional market issue; IAS 34 – Disclosure of information elsewhere in the interim report. All amendments are mandatory with effect from 1 January 2016. Use for earlier periods is permitted. The EU endorsement was in December 2015. The amendments have no material effect on the consolidated financial statements of bmp Holding AG.
- In December 2014, the IASB issued amendments to IAS 1. The amendments relate primarily to clarifications relating to the assessment of the materiality of information in the financial statements, the presentation of additional items in the statement of financial position and other comprehensive income, the presentation of other comprehensive income items of associates and joint ventures using the equity method, the structure of the notes and the presentation of the material accounting policies. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. The EU endorsement was in December 2015. The amendments have no material effect on the consolidated financial statements of bmp Holding AG.
- In December 2014, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 1. The amendments are intended to clarify three issues in relation to the exemption from consolidation for investment entities which recognise their subsidiaries at fair value. It is mandatory to apply the amendments for business years beginning on or after 1 January 2016; use for earlier periods is permitted. As of the reporting date, the EU endorsement took place in September 2016. The amendments have no relevance to bmp Holding AG.
- In January 2014, the IASB issued IFRS 14 “Regulatory Deferral Accounts”. The new standard introduces optional relief for first-time adopters in accordance with IFRS 1. Under restrictive conditions, it allows these entities to continue accounting for regulatory deferred account balances from a rate regulation in line with their previous accounting regulations. It is mandatory to apply the new standard prospectively for financial years beginning on or after 1 January 2016. The standard can be applied earlier. The EU decided not to recognise this interim standard and to wait for the final standard instead. The new standard is not relevant for bmp Holding AG.

The following new or revised standards or interpretations issued by the IASB but not yet effective were not adopted early in bmp Holding AG’s financial statements. EU endorsement is still pending:

Standard	(Expected) adoption date	EU-Endorsement	Voraussichtliche Auswirkungen auf die bmp Holding AG
IFRS 15: Revenue from Contracts with Customers (May 2014)	01.01.2018	Sept. 2016	significant
IFRS 9: Financial Instruments (July 2014)	01.01.2018	Nov. 2016	significant
IFRS 16: Leases (Jan. 2016)	01.01.2019	pending	significant
Amendments to IAS 12: Recognition of Deferred Tax Assets for unrealized losses	01.01.2017	pending	insignificant
Amendments to IAS 7: Disclosure Initiative (Jan. 2016)	01.01.2017	pending	being assessed
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (June 2016)	01.01.2018	pending	irrelevant
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 (Sep. 2016)	01.01.2018	pending	irrelevant
Annual Improvements to IFRS Standards 2014-2016 Cycle (Dec. 2016)	01.01.2017/2018	pending	being assessed
IFRIC 22: Foreign Currency Transactions and Advance Consideration (Dec. 2016)	01.01.2018	pending	insignificant
Amendments to IAS 40: Transfers of Investment Property (Dec. 2016)	01.01.2018	pending	irrelevant

» In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". According to the new standard, the recognition of revenue should reflect the transfer of the relevant goods or services to the customer at the amount corresponding to the consideration that the company expects to be entitled to in exchange for these goods or services. Revenues are recognised when the company obtains control over the goods or services. IFRS 15 also contains regulations on the recognition of service surpluses or obligations at contract level. These are assets and liabilities from customer contracts which result from the relationship of the performance provided by the company and the customer payment. In addition, the new standard requires the disclosure of qualitative and quantitative information to allow users of consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenues, and the relevant interpretations. It is mandatory to apply the standard for financial years beginning on or after 1 January 2017. The standard can be applied earlier. The EU endorsed the standard in September 2016. bmp Holding AG is currently examining the possible future effects on the consolidated financial statements. This standard is not expected to have a material impact on the consolidated financial statements of bmp Holding AG. In addition, bmp Holding AG anticipates changes in the balance sheet and additional information in the notes.

- In July 2014, the IASB concluded its project to replace IAS 39 Financial Instruments: Recognition and Measurements, with the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a consistent approach to the classification and measurement of financial assets. As a basis, the standard uses cash flow characteristics and the business model according to which they are managed. In addition, it provides for a new impairment model based on expected credit losses. IFRS 9 also contains new regulations on hedge accounting in order to provide better disclosures on risk management activities, especially in reference to managing non-financial risks. It is mandatory to apply the new standard for financial years beginning on or after 1 January 2018. The standard can be applied earlier. The EU endorsed this standard in November 2016. bmp Holding AG is currently examining the possible future effects on the consolidated financial statements. However, the changes in the classification and measurement of financial instruments are not expected to have a material impact on the consolidated financial statements of bmp Holding AG.
- In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 replaces previous requirements for the classification of leases by the lessee as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognise (right-of-use) assets and liabilities for all leases, unless the lease term is 12 months or less. As a result, previously unrecognised leases will, in future, be recognised, which is largely similar to the current recognition of finance leases. IFRS 16 is to be applied for financial years beginning on or after 1 January 2016. Early adoption is permitted if IFRS 15 has already been applied. EU endorsement is still pending. The company is currently assessing the effects of the adoption of IFRS 16 on the consolidated financial statements of bmp Holding AG and anticipates a slight increase in total assets.

5. Recognition of income

Income from the disposal of merchandise and finished goods is recorded at the time of ownership and risk transfer to the customer, provided that a price has been agreed on or can be determined and its payment is probable. Income from services is recorded after the services have been performed and a price has been agreed on or is determinable and its payment is probable. In the case of master agreements for services, the services performed are settled regularly, generally on a quarterly basis. Revenue is reported less any trade discounts, rebates or other price reductions.

Income from the disposal of investments and securities is recorded under the discontinued operation at the time of ownership transfer to the purchaser, provided that a price has been agreed on or can be determined and its payment is probable.

Dividend income from investments is recorded at the time the legal claim to payment arises.

6. Valuation allowances

On each balance sheet date the Group reviews the carrying amounts of other intangible assets and property, plant and equipment to check for any indications of impairment. In such case, the recoverable amount of the asset concerned is determined in order to establish if it is necessary to recognise a valuation allowance. To test intangible assets with an indefinite useful life (including goodwill) and intangible assets that are not yet available for use for impairment, the recoverable amount is determined annually, irrespective of whether or not there is any indication of impairment. The recoverable amount corresponds to the fair value less costs to sell or value in use; the higher of the two values is used. Value in use corresponds to the present value of projected cash flows. A pre-tax rate in line with market conditions is used for the discounting interest rate. If it is not possible to determine the recoverable amount for an individual asset, it is necessary to determine the recoverable amount for the smallest identifiable group of assets (cash-generating units) to which the asset concerned can be allocated.

Goodwill resulting from acquisitions is allocated to the cash-generating units that are expected to benefit from the synergies of the acquisition. Such cash-generating units are at the lowest reporting level in the Group for which management monitors goodwill for internal purposes. The recoverable amount of a cash-generating unit containing goodwill is regularly tested annually for impairment on the balance sheet date as well as at other times if there are any indications of impairment.

If the recoverable amount of an asset is less than its carrying amount, a valuation allowance will be recognised in the income statement immediately. If the valuation allowance is determined based on cash-generating units containing goodwill, the goodwill will be impaired initially. If the valuation allowance required exceeds the carrying amount of the goodwill, the remainder will be divided proportionately between the remaining non-current assets of the cash-generating unit.

If, following an impairment write-down, there is a subsequent increase in the recoverable amount of the asset or cash-generating unit, the impairment loss will be reversed. The reversal is limited to the amortised cost that would have arisen in the past without the valuation allowances. It is not possible to reverse goodwill impairment losses.

All impairment losses are recognised in the statement of comprehensive income under depreciation; reversals of impairment are reported in other operating income.

7. Income taxes

Deferred and current taxes are calculated in accordance with IAS 12. Deferred taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax base as well as on realisable loss carryforwards. The calculation is based on the tax rates expected at the time of realisation that apply or have been adopted as at the balance sheet date. Deferred tax assets are only recognised if it is probable that the associated tax receivables will be used. Loss carryforwards are included in tax deferral if they are expected to be realisable.

Changes to deferred taxes in the balance sheet result in deferred tax expenses/income. If items causing a change in deferred taxes are recognised directly in equity, the change in deferred taxes is also recognised directly in equity.

8. Goodwill
is carried at cost and tested annually for impairment as well as at other times if there are any indications that it may be impaired.

9. Discontinued operations
On February 14, 2015, the company decided to discontinue the Venture Capital business and the discontinued segment was reclassified in accordance with IFRS 5. As a result of external circumstances, the disposal of the shareholdings could not be implemented within 12 months. The company responded and adjusted the price requirements, which was reflected in the valuation changes of the investments.

A valuation guideline was drawn up for implementation of the fair value accounting of investment interests. Accordingly, shares in listed companies for which an active market exists are measured at their stock market price in each case at the stock exchange with greatest liquidity at measurement date. If the shares are subject to a lock-up restriction, reductions of up to 20% of the price on that day are applied for the reporting date depending on the time period of the trade restriction. For all other shares in non-listed companies and for which there is no active market, the fair value is determined by means of generally recognised valuation methods, provided that the fluctuation range of results returned by different methods for the same investment lie within reasonable limits. The valuation method includes, where possible, using recent arm’s length transactions between knowledgeable, willing parties. These so-called third-party transactions must meet the criteria of certain internal guidelines of the company which are oriented primarily to the volume and the chronological moment of the respective transaction.

Other valuation methods include, in particular, peer group comparison and the discounted cash flow method. In a peer group comparison, company values are calculated on the basis of multiples of a group of comparable companies. The major condition for application of this method is the identification of at least three comparable companies. If this is not possible, suitable industry multiples can be used provided that reliable data are available for this and the respective industry classification is for the most part certain. When comparing the valuation of an unlisted firm with a group of comparable listed firms, value reductions due to illiquidity are to be applied to the values determined. In addition, company-specific factors can either reduce or increase this reduction. The overall reduction usually amounts to between 30% and 50%.
The discounted cash flow method means that future cash flows are discounted, and that the present value of a perpetual annuity is calculated for the period thereafter.
The valuation methods correspond to the recommendations of IPEV (International Private Equity and Venture Capital Valuation Guidelines) and the NACVA (National Association of Certified Valuation Analysts).

10. Financial instruments
A financial instrument is an agreement which results in a financial asset in one company while at the same time resulting in a financial liability or an equity instrument in another company. This always requires originated financial instruments on the one hand and derivative financial instruments on the other. The company held no derivative financial instruments - either with or without a balance sheet hedging relationship - in 2016 and 2015.

11. Property, plant and equipment and intangible assets

We have reported property, plant and equipment and intangible assets on the balance sheet at cost less accumulated depreciation and amortisation. The depreciations are carried out as planned using the straight-line method.

12. Other financial obligations

In addition to liabilities, provisions and contingencies, there are other financial obligations, in particular rental and lease obligations for cars and photocopiers.

The contracts have terms of up to 5 years and in some cases include extension options and price adjustment clauses. No subleases have been agreed.

The nominal total of future minimum lease payments under non-cancellable rental agreements and operating leases is composed as follows according to maturity:

in T€	2016	2015
Due within one year	416	302
Due in between one to five years	1,434	904
Due after more than five years	0	0
Total	1,850	1,206

13. Provisions

Provisions may only be entered on the liabilities side if an obligation exists and utilisation is probable. Non-current provisions are discounted where the effect of the time value of money is material.

14. Liabilities

Liabilities are reported as current, if the debt is payable within 12 months of the balance sheet date. Therefore, the balance sheet makes a distinction between current and non-current liabilities.

15. Deferred income and expenses

Prepaid expenses includes payments made before the reporting date that represent expenses for a particular time after this date. Deferred income takes place for deposits before the reporting date that represent the income for a particular time after this date.

16. Estimates

Preparing the annual financial statements requires that assumptions be made and estimates be used which affect the level and disclosure of assets and liabilities reported on the balance sheet, as well as on income and expenditure and contingent liabilities. The estimates are based on experience and other assumptions which can be regarded under the given circumstances as accurate. The actual values may deviate from the estimates. The estimates and assumptions are continuously subjected to review and corrected as needed.

The following list of significant estimates and related assumptions, along with the uncertainties that go hand in hand with the accounting policy selected, are of decisive importance for an understanding of the basic risks inherent in a financial report and the impact which these estimates, assumptions and uncertainties could have on the annual financial statements:

Useful lives of property, plant and equipment and other intangible assets

At the end of each business year, the company reviews the estimated useful lives of property, plant and equipment and other intangible assets. Changes in the estimates were not required in 2016 or 2015.

Equity investments

The item "Discontinued operations" includes shares in venture capital holdings. The carrying value of these equity investments is very largely dependent on estimates in a large number of different areas. As a whole, the whole area of measurement is based on assumptions and estimates which extend over the range of forecasts of general economic data, developments of markets and market segments, economic forecasts based on investment interest as such as well as capitalisation interest, inflation rates and exchange rates which have an impact on the value of the item "Equity investments". The carrying amount of assets whose value is affected by estimates is € 2,820 thousand.

Recoverability of property, plant and equipment and other intangible assets

On each balance sheet date the company is required to estimate whether there is any evidence that the carrying amount of an item in property, plant and equipment or other intangible assets could be impaired. In such case, the recoverable amount of the asset concerned is estimated. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. The discounted future cash flows of the asset concerned are determined in order to establish the value in use. The estimate of discounted future cash flows includes key assumptions, including in particular those relating to future sale prices and sales volumes, costs and discounting interest rates. Although the management assumes that its estimates of the relevant expected useful lives, its assumptions regarding the economic conditions and performance of the industries in which the Group operates and its estimates regarding discounted future cash flows are reasonable, a change in the assumptions or circumstances could necessitate a change in the analysis. This could result in additional impairment losses or reversals in the future should the trends identified by the management reverse or the assumptions and estimates prove to be incorrect.

Taxes on income

On each balance sheet date, the Group assesses whether future tax benefits are sufficiently likely to be realisable for deferred tax assets to be recognised. Among other things, this requires that the management assess the tax benefits resulting from the available tax strategies and future taxable income, taking into account further positive and negative factors. The deferred tax assets reported may decrease if the estimates of planned tax income and the tax benefits realisable based on available tax strategies are lowered or if changes in current tax legislation limit the time frame or extent of realisability of future tax benefits.

Goodwill

The Group tests goodwill for impairment annually as well as at other times if there are indications that it may be impaired. This involves estimating the recoverable amount of the cash-generating unit. This corresponds to the higher of the fair value less costs to sell and the value in use. Determining the value in use involves making adjustments and estimates with respect to the projections and discounting of future cash flows. Although the management assumes that the assumptions used to calculate the recoverable amount are reasonable, any unforeseeable changes in these assumptions could lead to a write-down for impairment that could negatively affect the company's financial position and performance. At the balance sheet date, goodwill was carried at € 4,687 thousand.

Legal risks

As at 31 December 2016, bmp Holding AG was involved in litigations for which it was necessary to recognise provisions or liabilities of € 100 thousand (previous year: € 20 thousand).

17. Calculation methods

Inventory is measured by way of the average method.

18. Notes on the discontinued operations

This discontinued operation is reported in the balance sheet and statement of comprehensive income in accordance with IFRS 5. The discontinued operation comprises the former investment business of bmp Holding AG.

Results of the discontinued operation:

In T€	2016	2015
Revenue	4,252	4,635
Expenses	-4,972	-4,488
Result from revaluation	-6,615	-1,594
Earnings before taxes	-7,335	-1,447
Earnings after taxes	-7,335	-1,447

Cash flows of the discontinued operation:

In T€	2016	2015
Cash flow from operations	-612	-476
Cash flow from investments	3.613	2,591
Cash flow from financing	0	0

Assets of the discontinued operation are divided up as follows:

In T€	2016	2015
Equity investments	5,439	15,282
Loans to investments	50	1,004
Marketable securities	0	2
Receivables from investments	4	46
Total	**5,493**	**16,334**

The liabilities in the discontinued operations do not include items (previous year: € 504 thousand).

II. Notes on the balance sheet

19. Intangible assets

This position contains intangible assets and goodwills, for the structure and development we refer to the following tables.

Acquired and internally generated intangible assets are capitalised in accordance with IAS 38 if their use is expected to bring about a future economic benefit and the costs of the asset can be reliably determined.

Intangible assets acquired against payment are recognised at cost and amortised on a straight-line basis over three to six years based on their useful life. All intangible assets acquired against payment have a limited useful life.

Identifiable internally generated product innovations are recognised as assets, provided that all the recognition requirements under IAS 38.57 are met. As of this point in time, the costs directly attributable to individual product innovations (mainly labour costs), including development-related overheads, are capitalised. Internally generated product innovations that have been recognised as assets are amortised over their economic life as of the time they are available for use. All internally generated intangible assets that have been recognised as assets have a limited useful life. They are amortised on a straight-line basis over an expected product life cycle of up to eight years. Intangible assets are regularly tested for impairment, if necessary on the basis of cash-generating units. If necessary, valuation allowances are recognised in accordance with IAS 36. Intangible assets still in development are tested annually for impairment as well as at other times if there are any indications that they may be impaired.

In T€	01.01.2016	Disposal	Addition	31.12.2016
Acquisition costs	282	1	81	362
Depreciations	69	1	97	165
Book value	**213**	-	-	**197**

In T€	01.01.2015	Disposal	Acquisitions at book value	Addition	31.12.2015
Acquisition costs	20	0	216	46	282
Depreciations	13	0	-	56	69
Book value	**7**	-	-	-	**213**

20. Goodwills

In T€	01.01.2016	Disposal	Addition	31.12.2016
Acquisition costs	4,685	0	0	4,685
Depreciations	0	0	0	0
Book value	**4,685**	-	-	**4,685**

In T€	01.01.2015	Disposal	Addition	31.12.2015
Acquisition costs	0	0	4,685	4,685
Depreciations	0	0	0	0
Book value	**0**	-	-	**4,685**

Goodwill is allocated to five cash-generating units (CGUs); the CGUs are formed based on the bmp Holding Group's product lines. The impairment test of the goodwill is determined on the one hand by establishing their value in use using the discounted cash flow method and on the other hand by comparison of the parameters at the acquisition date to those at the reporting date (calibration). These methods use the planned post-tax cash flows from the three-year plans for the CGUs prepared using a bottom-up approach and approved by the management of bmp Holding AG. The cash flows beyond the three-year period are based on the terminal value. The assumed growth rate for extrapolation of the cash-flows amounts to 3.00% p.a. The total cost of capital used for discounting purposes is based on a risk-free interest rate of 1.00% p.a as well as on risk premiums for each equity and financial liabilities of 5.50% percentage points p.a. Furthermore, a beta factor derived from the respective peer group, a tax rate and the capital structure are taken into account for each individual CGU. A post-tax discounting interest rate of 9.25% p.a to 9.97% p.a. was used for discounting the cash flows for the five CGUs:

In T€	Goodwill	%
sleepz GmbH	2,204	47.0%
Markenschlaf GmbH	664	14.2%
Matratzen Union GmbH	1,487	31.7%
Ecom Uniom GmbH	284	6.1%
Denkvertrieb GmbH	46	1.0%
Total	**4,685**	**100.0%**

The amounts achievable of the CGU's were calculated as a value in use. The value in use for the CGU's will be calculated generally on the basis of revenue growth. For its determination past data as well as anticipated market performance is gathered. The values allocated to the significant assumptions principally match external sources of information (in particular market studies). An impairment of goodwill was not determined.

21. Property, plant and equipment

All property, plant and equipment is used in operations and is measured at cost less straight-line depreciation, if depreciable. Across the Group as a whole, depreciation is based on the following useful lives:

In years	Useful life
Technical equipment and machinery	5 to 20
Other equipment, operating and office equipment	3 to 13

Expenses for maintenance and repairs are recognised in the income statement unless they must be capitalised. Costs for replacing components or for a general overhaul of property, plant and equipment are capitalised, provided that the future economic benefit is expected to flow to the Group and the costs can be measured reliably. If depreciable property, plant and equipment is composed of significant identifiable components with individually varying useful lives, these components are presented separately and depreciated over their respective useful lives.

Property, plant and equipment is regularly tested for impairment, if necessary on the basis of cash-generating units. If necessary, valuation allowances are recognised in accordance with IAS 36.

In T€	01.01.2016	Disposal	Addition	31.12.2016
Acquisition costs	343	0	284	627
Depreciations	46	0	147	193
Book value	**297**	-	-	**434**

In T€	01.01.2015	Disposal	Acquisitions at book value	Addition	31.12.2015
Acquisition costs	0	0	152	191	343
Depreciations	0	0		46	46
Book value	**0**	-		-	**297**

22. Inventories

Inventories are measured at cost or at a lower net realisable value. In accordance with IAS 2, production costs are determined as full costs (consisting of direct costs and reasonable overheads, including production-related administrative expenses) using the standard cost method. Acquisition costs are generally determined using the average method. The net realisable value corresponds to the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

23. Receivables and other assets

Receivables and other assets are measured individually at amortised cost taking into account the probability of payment.

In T€	2016	2015
Accrued income	19	30
Receivables from shareholdings	0	0
Receivables from the tax authorities	96	153
Other receivables and assets	121	91
Total Receivables	**236**	**274**

24. Financial instruments

Financial instruments are assigned to the measurement category "Financial assets at fair value through profit and loss".
Assets measured at fair value through profit or loss comprise the investments in the capital of the portfolio companies. These are reported under "Discontinued operations"

To the extent that there is no active market for these equity investments, their fair value is calculated using financial models. If the fair values of the individual equity investments cannot be reliably determined at reasonable expense, they are recognised at their respective cost. Lower fair values are used if indicated.

Valuation is carried out using uniform methods and parameters. Fair value valuation of financial instruments, particularly at level 2 and 3, is performed based on bmp's internal "best practices of valuation" in controlling.

The following tables show an overview of items of the statement of financial position measured at fair value:

in T€	Fair value as at 31.12.2016	Fair value as at 31.12.2015
Level I	0	2
Level II	2,619	3,576
Level III	2,820	11,706
Total	**5,439**	**15,284**

The allocation of fair values to the three levels of the fair value hierarchy is based on the availability of observable market prices on an active market. Level 1 shows the fair values von financial instruments for which a market price can be directly determined. These are exclusively negotiable securities.

Level 2 fair values are calculated on the basis of market data such as prices for identical assets on a non-active market. This usually refers to a transaction prices in an equity instrument around the same time. Level 3 fair values are calculated using methods that use factors that cannot be directly observed on an active market.

Development of items of the statement of financial position measured at fair value based on level 3:

In T€	2016	2015
Fair value as at 01.01.	**11,707**	**5,910**
Income from remeasurement	0	69
Expenses on remeasurement	-4,204	-962
Addition	0	1,908
Disposal	-3,524	-1,355
Reclassifications to level III	849	6,829
Reclassifications from level III	-2,008	-692
Fair value as at 31.12.	**2,820**	**11,707**

Level III gains and losses in profit or loss		
Realised gains	216	22
Realised losses	806	13

The reclassifications between different levels of the fair value hierarchy are taken into account as at the end of the respective reporting periods. The reclassification from level 2 to level 3 contains one equity investment for which a timely transaction price was no longer available as a measurement method. There were still indications of a lower fair value, hence a specific valuation allowance was recognised.

The following table shows the measurement methods and parameters used in level 3.

Fair value as at 31.12.2016 in T€	Valuation model/method	Unobservable parameters	Range (arithmetic mean)
2,820	Multiplier method/ Discounted Cashflow	Earnings multiplier*	14.01-14.01 (14.01)
		Revenue multiplier*	1.10-2.28 (1.54)
		Discount for lack of marketability	35%-50% (41%)
		WACC	9.25%-14.2% (11.73%)
		Long-term revenue growth rate	3.00%-3.00% (3.00%)
		Long-term EBITDA margin	15.00%-15.00% (15.00%)
0	Transaction price not timely	N/A	N/A

* after discount for lack of marketability

Enterprise value is the key risk variable for the fair value of investments. At level 3, the effect of changes in unobservable enterprise value measurement parameters on earnings and equity is shown by way of sensitivity analysis. If the assumed enterprise values were 10% higher, earnings and equity would have been € 327 thousand higher. If the assumed enterprise values were 10% lower, earnings and equity would have been € 332 thousand lower.

25. Balances held with banks, cash in hand

In T€	2016	2015
Balances held with banks, cash in hand	798	1,943

Please refer to the cash flow statement for information on the use of liquid assets.

26. Equity and shares
All bmp Holding AG shares are no-par value shares with a notional value of € 1.00. Each share has one vote. All shares are fully paid in. The total number of shares amounted to 20.7 million in 2015 and 20.7 million in 2016 as well.

27. Admission to the exchange
The shares are traded in Germany on the Regulated Market of the Frankfurt Stock Exchange and, at the same time, in the Prime Standard Index. In addition, the shares are traded in the OTC market of the stock exchanges of Berlin, Dusseldorf, Hamburg and Stuttgart. The shares are also traded on the Warsaw Stock Exchange.

28. Capital reserve
The capital reserve contains amounts generated above the par value when issuing shares and amounts from the transfer of share-based compensation models. In 2016, it amounted to € 1,050 thousand (previous year: € 993 thousand).

29. Change in equity
Please refer to the statement of changes in equity for information on changes in equity.

30. Authorised capital
Authorised capital amounted to € 10,350,587 as at 31 December 2016. The term of the authorised capital ends on 26 June 2019.

31. Long-term loans
The loans have been granted by third-party shareholders and suppliers to sleepz GmbH.

32. Liabilities to banks
As of the reporting date, bmp Holding AG has credit facilities of € 1.5 million, € 1,194 thousand of which were utilised (previous year: € 1,090 thousand). The company does not secure the credit facilities. Additional advance financing of € 750 thousand was utilised by Matratzen Union GmbH and is secured through the assignment of bonus entitlements.
Non-current liabilities to banks amounting to € 21 thousand are secured through the assignment of the Matratzen Union GmbH warehouse as security. Furthermore, sleepz GmbH has utilized overdraft loans over € 177 thousand.

33. Other liabilities

In T€	2016	2015
Liabilities to the tax authorities	210	65
Liabilities to minorities	157	940
Loans	3,000	3,000
Liabilities – accounts and audit	103	116
Other liabilities	248	191
Total	**3,718**	**4,312**

III. Notes to the statement of comprehensive income

34. Cost of materials

The cost of materials contains the reduction of book value of inventories and goods corresponding to the revenue from commercial trading activities.

35. Staff costs

The personnel expenses reflect the remuneration of the employees; in the business year, the following employees were employed in the individual areas:

	2016	2015
Manufacturing/Warehouse	10.0	4
Sale	17.0	2.6
Administration/customer service	35.1	17.6
Total	**62.1**	**24.2**

An average of 62 employees (previous year: 24) were employed during 2016.

36. Share-based remuneration

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).

The contingent capital increase is used to grant subscription rights to members of the company's Executive Board, members of the management of the subsidiaries, employees of the company and employees of the subsidiaries.

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. The options can be exercised for two years if the threshold price of 1.18384 €/ share has been reached after expiry of the waiting period of four years.
No new options have been issued, exercised or expired in 2016.

The options issued are share-based payments with compensation from equity instruments. The fair value was measured on the grant date; a compensation expense is recognized over the waiting period, after which the beneficiaries can exercise the options if the terms of the option have been met.

37. Other operating expenses

In T€	2016	2015
Losses on receivables and additions to specific provisions on receivables	1	139
External work	174	383
Costs of General Stockholders' Meeting	32	56
Insurance, contributions and charges	49	44
Advertising, travel and stock exchange costs	779	390
Fund management expenses	513	700
Expenses due to foreign currency exchange losses	4	12
Year-end closing and audit costs	190	110
Supervisory Board costs	51	41
Transaction costs	74	45
Legal costs and fees and commissions paid to consultants	48	57
Costs of shipment and packaging	946	432
Sales commisions and fees	755	693
Rents and accommodation expenses	460	155
Vehicle expenses	113	32
Hard- and software maintenance	49	66
Various operating costs	397	118
Administration costs for holding companies	240	0
Total	**4,875**	**3,473**

38. Income taxes

in T€	2016	2015
current tax expenses	112	9
of which current income tax expenses for the period	112	9

In Germany, uniform corporation tax of 15% (previous year: 15%) and an additional solidarity rate of 5.5% (previous year: 5.5%) are applied to distributed and retained profits in order to determine current taxes. In addition to corporation tax, trade tax is due on profits generated in Germany. As trade tax is not deductible as an operating expense, this results in an average tax rate of 15% (previous year: 15%) for trade tax, resulting in an overall domestic tax rate of 30.2% (previous year: 30.2%).

Deferred tax assets and liabilities are calculated based on the tax rates that apply at the time the assets are realised or the liabilities settled.

Deferred tax assets are only recognised if these tax benefits are expected to be realised. All currently known positive and negative factors having an affect on future tax outcomes are taken into account when determining the relevant valuation allowances. The estimate to be made in this regard may change based on future developments.

At 31 December 2016, for corporate income tax losses carryforward in the amount of € 84 million and trade tax losses carryforward in the amount of € 89 million no deferred taxes were recognized.

The tax loss carryforwards in the acquisitions are either eliminated during the change in ownership or are presently classified by management as not yet realizable.

Deferred tax assets and liabilities are offset, provided that they are to be allocated to future charges or reductions in respect of the same taxpayer and the same taxation authority.

The difference between the expected income tax expense (applying the tax rate applicable to bmp Holding AG) and the reported income tax expense is due to the following causes:

in T€	2016	2015
Earnings before taxes	-9.716	-3.432
Expected tax expenses (-)/-refunds (+)	2.934	1.036
thereof non-taxable revaluation of investments	-1.998	-481
thereof non-taxable earnings from the sale of investments	-191	83
Tax expense relating to Group companies with no right to reimbursement	-633	-629
Tax expenses of subsidiaries without losses carried forward	112	9
Reported tax expense	112	9

IV. Notes on the cash flow statement

39. Notes on the cash flow statement

In accordance with IAS 7, payment flows are reported in the cash flow statement in order to provide information on the company's cash and cash equivalents. The payment flows are differentiated on the basis of operating, investing and financing activities. The indirect method of presentation is applied.

39.1. Cash and cash equivalents

The cash and cash equivalents at the beginning and at the end of the periods existed in the form of bank balances.

39.2. Cash flow from interest

The following interest was either received or paid:

In T€	2016	2015
Interest paid	415	129
Interest received	5	2
Interest received from banks and other institutions	0	0

V. Other information

40. Risks and risk management

40.1. 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 require a higher level of service than is standard and are creating greater competition with regard to price. 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 companies of the Group and bmp Holding AG are partly dependent on the credit rating of banks and credit insurers. A change in the assessment of the creditworthiness may lead to the cancellation of limits or reductions 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.

Economy
The economic success of bmp AG Holding and mainly its subsidiaries depends to some extent on the consumer climate. Thus, the economic success of bmp Holding AG depends on the general economic development and the development of the industry, in which the subsidiaries of bmp Holding AG operate.

Image
The internet is becoming ever 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.

40.2 Risks of Venture Capital residual portfolio

Venture capital is speculative or risk capital, granted with the aim of achieving high returns. Compared to other forms of financing, it clearly has a higher risk potential. As, in some cases, the companies do not generate profits or the success of their business model cannot be taken for granted at the time the investment is made, this presents a high risk for the company. In principle, this risk increases significantly with greater proximity to the founding of the company.

Time of disposal and attainable disposal proceeds

Today, bmp Holding generates income primarily from the sale of investments to an institutional or industrial investor (trade sale) or by means of floatation (IPO). Furthermore, some investments are sold to the founders or co-shareholders as a management buy back. These sales methods are also called exit channels. The company cannot guarantee that an investment can be sold at a profit or sold at all. The sale of investments becomes particularly difficult in weak capital markets, and this can lead to negative results for the company.

Uncertainty of the economic development of individual companies in the portfolio

Write-offs of investments or even the total loss of investments 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. The company counteracts the financial effects of a drop in value of investments through early support and counter-measures, through the continuous improvement of due diligence and investment controlling, as well as appropriate provisions for risk (recognising valuation allowances) in its balance sheet measurement.

Risks from foreign companies

bmp's foreign investments are subject to the laws of each respective country. Furthermore, certain contracts concluded by bmp are subject to country-specific laws. The company is thus exposed to the usual dangers and risks of a foreign legal system. The application of foreign law as well as country-specific conditions can thus lead to unexpected risks.

Company dependence on economic cycles and financial markets

The economic success of bmp Holding AG in the area of venture capital is primarily dependent on the price at which it can acquire its investments, the positive development of the portfolio companies and the disposal proceeds. A negative commercial development for all, several or individual companies in the portfolio can be caused by various external or internal factors that the company may not be able to influence. The economic success of bmp Holding is highly dependent on the general economic development, the development of the industries in which bmp Holding has invested, and the development of the financial markets.

Liability associated with the disposal of investments

In terms of the disposal of investments, bmp Holding AG as the seller or – under some circumstances – as a partner with the participation of other investors may have to grant extensive guarantees particularly in regard to tax liabilities in favour of the purchaser or purchasers. In addition, bmp may also be compelled to grant exemption from certain company-specific risks. The company strives to limit the liability arising from such guarantees and exemptions to a certain percentage of the purchase price. bmp Holding AG cannot rule out the possibility that such liabilities will occur in some individual cases.

40.3 Inter-divisional risks

Risks of changes in interest rates

bmp arranges fixed interest rates on all credits and loans granted and for their entire terms. Consequently there are no associated risks with changes in interest rates. However, variable interest rates are assessed on all current money investments. Variable interest rates are assessed on short-term liabilities to banks.

Liquidity risk

The company manages liquidity risks by creating appropriate reserves, monitoring and adhering to the loan covenants as well as planning and coordinating cash inflows and outflows.

The following table shows the contractual maturity of the financial liabilities and assets as well as the weighted average effective interest rate taking into account the discontinued operation:

2016	Interest rate	Maturity			
T€	in %	Up to 1 year	1 to 5 years	More than 5 years	Total
Trade accounts payable	No interest	1,183	0	0	1,183
Liabilities to banks	2.75%	2,154	21	0	2,175
Loans	8.23%	0	33	396	429
Other liabilities	7.23%	3,000	0	0	3,000
Other liabilities	No interest	911	0	0	911
Provisions	No interest	40	0	0	40
Total		**7,288**	**54**	**396**	**7,738**

2015 T€	Interest rate in %	Up to 1 year	1 to 5 years	More than 5 years	Total
		Maturity			
Trade accounts payable	No interest	1,550	0	0	1,550
Liabilities to banks	2.83%	1,440	29	0	1,469
Loans	8.80%	0	1,012	0	1,012
Other liabilities	7.45%	3,750	0	0	3,750
Other liabilities	No interest	811	0	0	811
Provisions	No interest	37	0	0	37
Total		**7,588**	**1,041**	**0**	**8,629**

The Management expects that the company will be able to fulfil its other financial liabilities from operating cash flows und from the inflow of investment sales.

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. Depending on the time of the initial investment and its disposal, 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. In the business segment of "Sleep" all transactions are wind up in Euro.

Currency risks result essentially from equity investments, securities and foreign currency balances held in the zloty currency area. No currency hedging activities were carried out. Had the zloty been 10% higher against the euro at the balance sheet date, equity and net profit for the year would have been € 1 thousand higher (previous year: € 66 thousand). Had the zloty been 10% lower against the euro, equity and net profit for the year would have been € 1 thousand lower (previous year: € 56 thousand).

Interest rate risk

Interest risks result from changes in market interest rates of variable-interest assets and changes in the risk-free interest rate applied as the capitalisation interest rate in discounted cash flow calculations. Interest rate hedging activities were not carried out. Had the market interest rate been 100 basis points higher, equity and net profit for the year would have been € 38 thousand (previous year: € 61 thousand) higher. Had the market interest rate been 100 basis points lower, equity and net profit for the year would have been € 38 thousand (previous year: € 61 thousand) lower.

Price risk

Price risks result from changes in the stock index price; this has a direct influence on the valuation of listed investments and an indirect influence on the valuation of a peer group of listed companies which are valued using the multiplier method. Hedges to secure the price level were not carried out. Sensitivity analysis was carried out on the basis of the volatility of investment interests and/or a listed peer group in relation to the relevant index. Had the relevant stock index been 10% higher, equity and net profit for the year would have been € 167 thousand (previous year: € 305 thousand) higher. Had the relevant stock index been 10% lower, the equity and profit for the year would have been € 169 thousand (previous year: € 247 thousand) lower.

Overall evaluation and risk management

bmp has taken extensive precautions for all recognisable individual risks in the Annual Financial Report for 2016. Activities in the area of risk management were further expanded in 2016. A quality handbook has been created. bmp has developed an integrated system of investment controlling which makes it possible to assess the quantity and quality of risks arising. In addition to comparing target and actual data at the subsidiary level, the investment level of the discontinued operation and the corporate level, the system enables seamless reporting while fulfilling the purpose of a management information system.

Economic developments in the subsidiaries and holdings are monitored via intensive contact with the companies. The performance of its subsidiaries is continuously monitored. The Executive Board communicates with all managers in close contact and has ongoing access to the sales data of the subsidiaries. The carrying amounts and the value development of investment companies of the discontinued operation are reviewed quarterly with suitable financial mathematical models. Various valuation models are used depending on the type and degree of development of the investment companies. The continuous recording of fair values and investment controlling makes it possible to take appropriate measures to counteract undesired developments of the investment interests.

41. Information on financial instruments

In accordance with IFRS 7, additional information is required in order to ensure a clear presentation of the importance of financial instruments for the financial situation and the earnings strength of bmp Holding AG and the nature and extent of risks arising from financial instruments to which the company is exposed during the reporting period and at the time of presentation of the report and which arise from financial instruments.

bmp is exposed to the various risks mentioned above in the course of its general business activities. It is the company's policy to measure these risks by selecting suitable means, to monitor them and, if necessary, to limit their effect. bmp has developed an integrated system of investment controlling which makes it possible to assess the quantity and quality of risks arising in its investment business. In addition to comparing target and actual data at the investment level and the corporate level, the system enables seamless reporting. Changes in the carrying value of the investments in portfolio companies are given due consideration via the evaluation of performance.

Sensitivity analyses were used to determine and show risks arising from financial instruments in accordance with IFRS 7. One part of this analysis was to determine the effect on equity and earnings via variations in risk variables contained within the respective market price risks. All effects on the statement of comprehensive income described in the following section have an equal impact on equity, since the financial instruments were valued either at fair value through profit and loss or at amortised cost.

Financial instruments are broken down into the following classes:

- Financial instruments at fair value,
- Financial instruments at amortised cost,
- Financial instruments to which IFRS 7 does not apply.

The net losses or gains on the financial instruments reported in the statement of comprehensive income are presented in the following table according to the IAS 39 measurement categories:

In T€	2016	2015
Result from financial instruments at fair value through profit and loss	-6,125	-1,550
Result from loans and receivables	-1093	2
Result from financial liabilities at amortised cost	-415	-129

Net gains/losses from financial instruments consist of interest, the remeasurement gains/losses, valuation allowances and gains on disposal.

42. Reconciliation of balance sheet items to the classes of the financial instruments

The reconciliation of the financial instruments, broken down into carrying amounts and fair values, is shown in the following table:

2016 T€	at fair value Book value	At amortised cost Book value	Balance sheet item as at 31.12.16
Non-current assets			
Fixed asset securities		13	13
Current assets			
Trade accounts receivable		1215	1,215
Receivables and other assets		236	236
Cash in hand and bank balances		798	798
Assets of discontinued operation	5,493		5,493
Total	**5,493**	**2,262**	**7,755**
Current liabilities			
Loans		429	429
Liabilities towards banks		21	21
Current liabilities			
Trade accounts payable		1,183	1,183
Liabilities towards banks		2,154	2,154
Other liabilities		3,718	3,718
Advance payments received		191	191
Total	**0**	**7,696**	**7,696**

2015 T€	At fair value Book value	At amortised cost Book value	Balance sheet item as at 31.12.15
Non-current assets			
Fixed asset securities		8	8
Current assets			
Trade accounts receivable		749	749
Receivables and other assets		274	274
Cash in hand and bank balances		1,943	1,943
Assets of discontinued operation	16,288	46	16,334
Total	**16,288**	**3,020**	**19,308**

Current liabilities			
Loans		1,012	1,012
Liabilities towards banks		29	29
Current liabilities			
Trade accounts payable		1,550	1,550
Liabilities towards banks		1,440	1,440
Other liabilities		4,561	4,561
Total	**0**	**8,592**	**8,592**

For trade accounts receivable, other current assets and cash, the short durations mean that the carrying amount corresponds to the fair value.

43. Contingencies

It is customary that, when selling shares in holding companies, financial investors extend guarantees and warranties to the purchasers. As is normal in the industry, bmp Holding AG has assumed extensive guarantees and warranties during the sale of shares. No claims from guarantees are known at present.

44. Earnings per share

In accordance with IAS 33, basic earnings per share are calculated by dividing the share of profit or loss for the period attributable to the shareholders of bmp Holding AG by the weighted average number of outstanding shares. Shares that are newly issued or repurchased during a period are taken into account pro rata temporis for the period in which they are outstanding.

The potential shares relating to the share option scheme II launched in 2015 were not taken into account, as the exercise price of the options exceeded the average market price of the ordinary shares and thus including them would not have been dilutive.

45. Capital management

bmp Holding AG manages its capital with the aim of using financial flexibility to achieve growth while also optimizing financing costs. This overall strategy has changed since the previous year. While loan-based financing of venture capital holdings are no longer wanted by the Executive Board and trade accounts payable were only of subordinate importance, there was a material change in the Group's equity structure which resulted from consolidating the operating business. Financing is very important, particularly in respect to working capital. But acquisition financing also plays an important role, both as of the reporting date and in respect to future acquisitions.

The management examines the capital structure at least every six months. In the process, it reviews the capital costs, existing collateral and open and potential borrowing facilities. The target gearing moved up from 37% to 57%.

The capital structure changed as follows in 2016 and 2015:

	31.12.2016	31.12.2015	Change in %
Equity in T€	7,587	16,866	-55%
as % of total capital	49.5%	64.9%	-24%
Liabilities in T€	7,737	9,135	-15%
as % of total capital	50.5%	35.1%	44%
Current liabilities in T€	7,287	8,093	-10%
as % of total capital	47.6%	31.1%	53%
Non-current liabilities in T€	451	1,041	-57%
as % of total capital	2.9%	4.0%	-27%
Gearing	102.0%	54.2%	88%

The goal in the management of the equity on the balance sheet of € 7.6 million (previous year: € 16.9 million) is to ensure that the company can achieve its targets and strategies in the interest of the shareholders and its other stakeholders. The Executive Board focuses primarily on the achievement of an appropriate return on capital employed.

In the system of objectives for financing, bmp is directed towards the continuous and lasting increase in value of the subsidiaries and the enterprise value. In order to measure the success of the individual companies and investments, we have used industry standard measuring procedures and indices for many years.

46. Declaration of conformity pursuant to section 161 German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of bmp Holding AG have issued the declaration mandated by section 161 AktG and have made this permanently available to shareholders on the web pages of bmp Holding AG.

47. Auditors' fees

The following auditors' fees were recorded as expenses in business year 2016:

In T€	2016	2015
Fee for accounts and audit	64	72
Tax consultancy fee	10	10
Other fees	0	3
Total	**74**	**85**

48. Information on the company's executive bodies

48.1. Executive Board

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

48.2. Remuneration of the Executive Board

The Executive Board of bmp Holding AG received no remuneration in the business year under review. Mr. Borrmann was remunerated by bmp Beteiligungsmanagement AG, which has a service agreement with bmp Holding AG. Mr. Borrmann received 200,000 options out of the stock option program issued 22 December 2015, the fair value of the options for business year 2016 was approximately € 19 thousand. Furthermore, a D&O insurance existed.

48.3. Other offices held by Executive Board members

Mr. Borrmann was a member of the Supervisory Board of the following companies:

brand eins Medien AG (Chairman)	until 30.11.2016
Heliocentris Energy Solutions AG (Chairman)	until 05.07.2016

As at 31 December 2016, Mr. Borrmann is the Managing Director of Cavy Capital GmbH, and a member of the Executive Board of bmp Beteiligungsmanagement AG.

48.4. Supervisory Board

The Supervisory Board of bmp Holding AG in the business year consisted of:

Bernd Brunke, Berlin Chairman of the Supervisory Board	Businessman
Gerd Schmitz-Morkramer until 06.07.2016 Chairman of the Supervisory Board	Businessman
Michael Stammler, Lutzenberg (CH) Vice Chairman of the Supervisory Board	Businessman
Sven Rittau since 06.07.2016 Member of the Supervisory Board	Businessman

In total, payments to each member of the Supervisory Board of bmp Holding AG in business year 2016 amounted to € 40 thousand (previous year: € 46 thousand).

The individual members of the Supervisory Board were entitled to the following compensation:

	2016	2015
Bernd Brunke	18	11
Gerd Schmitz-Morkramer	10	20
Michael Stammler	12	9
Sven Rittau	6	0
Total	**46**	**40**

Mr. Stammler is a member of the Supervisory Board of the following companies:

eCAPITAL entrepreneurial Partners AG, Münster	Member of the Supervisory Board (Vice Chairman)	year-round
WM Treuhand und Steuerberatungsgesellschaft AG, Limburg	Member of the Supervisory Board	year-round
Heliocentris Energy Solutions AG, Berlin	Member of the Supervisory Board (Vice Chairman)	year-round
Taunus Trust Group AG, Wolfhalden, Switzerland	Chairman of the Board of Administrators	year-round

Mr. Schmitz-Morkramer and Mr. Brunke had no further memberships of supervisory boards or other controlling bodies.

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

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

49. Related-party transactions

Mr. Borrmann is a minority shareholder and member of the Executive Board of bmp Beteiligungs-management AG. This company acquired an equity investment in liquidation from bmp Holding AG for € 152 thousand. bmp Holding AG also received management services from bmp Beteiligungs-management AG, which amounted to € 1,027 thousand (previous year: € 1,077 thousand). There were no open balances.

50. Risk management and events subsequent to the balance sheet date

For information on risk management targets and methods and events subsequent to the balance sheet date, please see the information in the management report.

51. Disclosures in accordance with section 26 (1) of the German Securities Trading Act (WpHG)

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

52. Responsibility statement

To the best of my knowledge, and in accordance with the applicable reporting principles for financial reporting, the annual financial statements give a true and fair value of the assets, liabilities, financial position and profit or loss of the company, and the management report 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.

53. List of shareholdings

Enterprises in which the Company has either direct or indirect holdings according to § 313 Subsection 2 Point 4 HGB:

Subsidiaries:

Company	Share in %	Equity as at 31.12.2016 in T€	Annual result 2016 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:

Company	Share in %	Equity as at 31.12.2015 in T€	Annual result 2015 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 31.12.2014

25. April 2017

Oliver Borrmann
Executive Board

Management report of bmp Holding AG for business year 2016

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 sold.

I. Structure of the annual financial statements:

The assets side of the balance sheet consists, on the one hand, of the long-term assets which, in addition to property, plant and equipment primarily include intangible assets, mainly goodwills from the company acquisitions. The long-term assets account for 34.8% of the balance sheet total. On the other hand, the balance sheet consists of 65.2% of current assets, the main part of which is allocated to the discontinued operation.

At the end of 2016, 35.8% of the balance sheet total was still held in the discontinued operation; A further drop is to be expected as the remaining venture capital portfolio is to be sold completely.

Goodwills	30,6%
Other non-current assets	4,2%
Investments & Loans	35,8%
Inventories	14,7%
Receivables	9,5%
Cash at banks	5,2%
Total	**100,0%**

Equity and liabilities saw a sharp decline from € 26.0 million to € 15.3 million as a result of this loss. Equity decreased from € 16.9 million to € 76.6 million. The equity ratio moved down from 64.9% to 49.5%.
As of 31 December 2016 current bank loans of € 2.2 million and acquisition loans of € 3.0 million were utilised.

Shareholders' equity	49,5%
Liabilities	50,5%
Total	**100,00%**

The consolidated statement of comprehensive income must take into account that the expenses and income from the former venture capital business are summarized in the discontinued operation. It should also be noted that sleepz GmbH was included in the bmp Group in the previous year with eight months and the Matratzen Union Group with only one month.

Sales revenues amounted to € 14,356 thousand (previous year € 4,754 thousand) and material costs amounted to € 9,788 thousand (previous year € 3,173 thousand) in 2016. Gross profit fell from 33.5% to 31.8%.

The discontinued operation closed the year with € -7.3 million (previous year € -1.4 million), the largest share totaling € -6.6 million from the valuation of investments.

bmp Holding AG concluded the financial year 2016 with a consolidated result according to IFRS of € -9,828 thousand (previous year: € -3,442 thousand).

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 the discontinued operation.

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 -€ 9,828 thousand in the 2016 financial year. As a result, net income saw a sharp decrease year-on-year (previous year: € -3,442 thousand). Write-downs on the investment portfolio were key elements behind the drop in net income.

The result from continuing operations amounted to € -2.5 million, € -2.2 million attributable to the shareholders of the company.

Sales revenues amounted to € 14,356 thousand (previous year € 4,754 thousand), however, it should be noted that sleepz GmbH was included in the bmp Group in the previous year with eight months and the Matratzen Union Group with only one month.
At € 2,174 thousand, personnel expenses were above the previous year's level (€ 780 thousand) due to the fact that they were only included on a pro rata temporis basis in 2015. Other operating expenses rose from € 3,473 thousand to € 4,875 thousand, also due to the limited comparability.

Return on equity, measured by net income for the financial year and in relation to average shareholders' equity, was -80.4%.

Assets and capital structure

The assets side of the balance sheet consists, on the one hand, of the long-term assets which, in addition to property, plant and equipment primarily include intangible assets, mainly goodwills from the company acquisitions. The long-term assets account for 34.8% of the balance sheet total. On the other hand, the balance sheet consists of 65.2% of current assets, the main part of which is allocated to the discontinued operation. Excluding this item, customarily current assets would consist of inventories, trade receivables and bank balances.

The liabilities side has shortened from EUR 26.0 million to EUR 15.3 million due to the loss. Shareholders' equity decreased from € 16.9 million to € 7.6 million. The equity ratio fell from 64.9% to 49.5%. As of 31 December 2016 current bank loans of € 2.2 million and acquisition loans of € 3.0 million were utilised.

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 inhouse 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 ever 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. Interdivisional 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. 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 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 a 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 as at the balance sheet date. It is divided into 20.7 million 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 315 (4) no. 3 German Commercial Code, please refer to the notes. Further disclosures in line with section 315 (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, 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 consolidated 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

Auditors' Report

We have audited the IFRS consolidated financial statements of bmp Holding AG – consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements as well as the Group management report – for the financial year from 1 January 2016 to 31 December 2016. The preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU and additional provisions in accordance with section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Executive Board of the company. Our responsibility is to express an opinion on the IFRS consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements and infringements in the IFRS consolidated financial statements and the Group management report materially affecting the presentation of the net assets, financial position and results of operations are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the IFRS consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing separate financial statements of the companies included in the consolidated financial statements, the definition of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the IFRS consolidated financial statements and the Group 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 the findings of our audit, the IFRS consolidated financial statements comply with the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the IFRS consolidated financial statements, complies with 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. Without prejudice to this opinion, we refer to the comments in the Group management report, according to which the Group's ability to continue as a going concern, particularly that of its subsidiaries sleepz GmbH and Grafenfels Manufaktur GmbH, depends on the injection of additional liquidity on the part of the shareholders.

Berlin, 25 April 2017

RSM Verhülsdonk GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Konrad Pochhammer
Wirtschaftsprüfer
(German public auditor)

Dr Thomas Beckmann
Wirtschaftsprüfer
(German public auditor)

Financial Calendar
Directions

FINANCIAL CALENDAR 2017

09 MAY 2017	Investors-/Analyst Conference, Frankfurt
31 MAY 2017	Publication Quarterly Statement (call-date Q1)
29 JUNE 2017	Annual General Meeting, Berlin
15 SEPTEMBER 2017	Publication Halfyear Financial Report 2017
30 NOVEMBER 2017	Publication Quarterly Statement (call-date Q3)

DIRECTIONS

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You can reach us via public transport:
from Hauptbahnhof: S-Bahn S5, S75, S7 until Savignyplatz
or with the buses: M19, M29, 109, 110

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