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KARL MAYER
Holding GmbH & Co. KG
Obertshausen, Germany

Consolidated management report and Group financial statement as at 31 December 2016 as well as Independent Auditor's Report

KARL MAYER Holding GmbH & Co. KG

Obertshausen, Germany

CONSOLIDATED MANAGEMENT REPORT
for the financial year from 1 January to 31 December 2016

I. Background of the Group

1. Business Model

The KARL MAYER Group is a family-owned group of textile machinery manufacturers. Their focus is on the development, manufacture and sale of chain knitting machines, warp preparation machines and technical textile machines. The Group is strong internationally and has subsidiaries in Germany, Italy, Switzerland, England, USA, Japan, China, Hong Kong and India. The KARL MAYER Group operates production facilities in Germany (Obertshausen / Hausen, Büdingen, Chemnitz and Naila), Italy (Mezzolombardo), Japan (Fukui City), China (Changzhou) and India (Ahmedabad). The individual companies supply the domestic markets and in some cases also supply other markets where they do not have their own branches.

In the 2016 financial year, the knitting segment of Santoni S.P.A., Brescia, Italy, a company of the Italian Lonati Group, was acquired as part of an asset deal. The patents were transferred to KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany ("KMO"), all other assets were transferred to the Japanese group company, NIPPON MAYER Ltd., Fukui City, Japan ("NM").

After the successful launch of the new SAP system at most German companies and in China on 1 July 2014, the preparations and implementations for the companies KARL MAYER Textilmaschinenfabrik AG, Uzwil, Switzerland ("KMCH") and KARL MAYER Technical Textiles GmbH ("KMTT") (site Naila, since the new SAP system was already introduced in Chemnitz in the previous year) followed in a second wave during 2015. In the 2016 financial year, the preparations for the SAP rollout at NM in Japan were carried out with the support of KMO resources. Here, the "go live" took place on 1 January 2017.

Extensive investments were implemented in the Group in 2016. A new factory for the production of cylinders for the DENIM shop of warp preparation was built and put into operation in September 2016 at the Italian company KARL MAYER Rotal S.r.l., Mezzolombardo, Italy ("KMR"). The cylinders which were previously acquired from third parties are therefore now under corporate control, which improves the supply situation and the optimisation of the results of KMR. This investment amounted to EUR 2.8 million. A new development centre was built at the Japanese company NM and completed by the end of 2016. These investments amounted to EUR 4.1 million and lead to a significant increase in the attractiveness of the Fukui location as an innovative centre for double-knitting head machines, especially for our customers in the Asian region. At the same time, the extensive investment program launched in Obertshausen, Germany, last year was completed with regard to the plant for production and the construction of the new assembly hall. The new assembly hall was commissioned at the end of December. The investments for the new assembly in Obertshausen, Germany amounted to EUR 12.2 million in the reporting year, while the total investment volume in the new assembly hall building amounted to EUR 20.0 million.

Investments in Obertshausen, Germany support the steering gear ideas, which the German Technological Centre has set as its motif. On the basis of the modernised setup and the continuous improvement of the processes, productivity can be increased, the throughput times shortened and the delivery reliability for our customers increased.

2. Human Resources and Social Policy

The average number of employees during the financial year was 2,517. Compared to the previous year (2,677 employees), this figure has declined slightly.

The main focus of the activities in the operational personnel management in 2016 was the recruitment and filling of vacancies at the headquarter in Germany, as well as the organisation of the number of temporary workers to the respective capacity requirements. Due to the capacity demand, the relationship with temporary staff employment agencies was resumed in the fourth quarter of 2016. At the end of 2016, 70 temporary employees were employed at KMO. At the beginning of the year, personnel reductions through voluntary redundancies were carried out in China as the second-largest location in order to adjust to the decline in sales volume compared to previous years.

In the area of personnel and organisational development in Germany, the project "Employee development assessment (MAEG)" 2016 was successfully completed in a second stage and rolled out at the employee level. An employee development assessment has been held at management level since 2014. The objective of the assessment is to maintain and further strengthen performance and adaptability.

With regard to the demographic development in Germany, the project "Demographic Challenges" was implemented with a broad participation of employees and first measures were implemented. In addition, the project "Introduction of a Learning Management System" was launched, which allows the employees more self-directed and demand-oriented learning and supports the digital transformation of our Company.

Initial vocational training as well as the training of dual bachelor and master degree students in Germany continue to be of great importance in the Company, as a way to secure its' own skilled labour force for the future. The main focus of the activities was on recruitment measures to increase the number of applicants, especially in commercial and technical training. Participation at five regional training fairs, the organisation of the "Day of Education", the provision of internships for technically interested pupils and a very good presence in the social media made it possible for us to fill all offered training and study places with suitable applicants. Last year, dual students and two apprentices were given the opportunity to work on a project locally at one of our branches (China and USA).

3. Research and Development

Innovation is essential for KARL MAYER. For this reason, as in previous years, further developments were initiated to improve the price / performance ratio in the areas of knitting machines, technical textiles and warp preparation weaving. These innovations usually result in improved customer service regarding speeds and / or precision.

Retaining the number 1 position as a high technology provider in the knitting machine sector, warp preparation and in the field of technical textiles is secured group wide by research and development. These costs amounted to approximately EUR 36.6 million in the financial year (corresponding to approximately 8.0% of sales; prior year: approximately EUR 32.6 million, equivalent to approximately 5.9% of sales). The expenditures are used for new developments and further development of machines with the optimisation of machine dynamics and electronics as well as the performance optimisation / cost reduction of all core elements of the machines.

II. Economic Report

1. Overall Economic Environment in 2016

The world economy in 2016 has been characterized by stagnating world trade, low investment and political uncertainty. While the global economy grew by 2.3% in 2016, growth of 2.7% is expected for 2017. The economic situation in Germany in 2016 was characterised by solid and steady economic growth. According to the first calculations of the Federal Statistical Office, the gross domestic product (GDP) was 1.9% higher than in the previous year.[1]

After the crisis years of 2008 and 2009, the order intake for stitch-forming textile machines in 2010 witnessed a significant increase to record levels, followed by a decline in new business in 2011. In the years 2012 to 2016, the order intake for stitch-forming textile machines remained at a stable level.

2. Business Performance

International competitive pressure for German plant and machine construction is growing massively - especially through companies from China and India. This applies in particular to the textile machinery division.

After the crisis years of 2008 and 2009, in which the German locations were restructured, the incoming orders in the period from 2010 to 2015 were again increased and successfully converted into sales and earnings as a result of a reviving textile machine market. Management forecast a reduction in the order intake of approximately 15% for the reporting year. At the beginning of the year, the business also developed as expected. In March and in the second quarter, however, the new HKS 2 SE knitting machine presented last year led to the opening up of new applications in Asia. This was accompanied by a significant increase in demand for new machines, which should also continue in the third quarter. A good project business in the warp preparation division as well as a major order from China for tricot machines to be made in China led to an order intake of approximately EUR 431.0 million at the end of the year. This surpassed the budgeted expectations by 31.1% and the previous year by 12.5%. A significant reduction of approx. 20% was expected in the development of sales revenues for the 2016 financial year after a good business year in 2015, which would have meant a turnover volume for the Group of EUR 439 million (without other revenues according to the BilRUG definition). However, sales on a quarterly basis increased in line with the trend in incoming orders. Sales of EUR 458.1 million, (excluding other revenue generated by the BilRUG definition) were ultimately 4% higher than the budget. The profit before tax, which was expected in the previous year, was clearly exceeded in the financial year. This was

[1] http://www.worldbank.org/ Global Economic Prospects,
http://www.destatis.de/ Press Release no. 10 from 12.01.2017

due to a favourable product mix as well as significantly improved purchasing conditions and additional cost savings compared to the budget.

- *Production*

At the beginning of the year, production capacity utilisation in Germany was at a low level, but in the wake of increasing business during the second half of the year it remained at a good level. The same applies to China. Japanese production showed a stable level. A very high level of capacity utilisation throughout the year was evident in the Italian factory in the course of good business in the warp preparation division.

- *Procurement*

The cost of raw materials, supplies and purchased goods amounts to 39.5% of total output and represents the largest cost block of total costs. In order to optimise this, all possible levers are used. These include standardisation, value analysis measures and regular negotiations with suppliers. In principle, at least two suppliers are used for core materials (multiple source strategy). As a rule, long-standing relationships develop, which have proved themselves in a highly dynamic and cyclical business.

- *Investment*

In the financial year, investments in the modernisation of the plant park, which were begun in Germany in 2014, were continued and the new assembly hall in Obertshausen, Germany was completed. In addition, investments were made in the new development centre in Japan and the construction of the production hall for cylinder production for warp preparation plants in Italy. Also of key importance is the global investment in a new SAP system structure. The new SAP system introduced in Germany (except for the Naila location), China and Hong Kong in a first step in July 2014 is the basis for a worldwide ERP system, which will be completed in further rollouts for the KARL MAYER Group. On 1 January 2016 the system for Switzerland and the Naila location went live. In the reporting year, the implementation was prepared for the Japanese company NIPPON MAYER Ltd., Fukui, Japan. This location also went live on 1 January 2017. Investments for the further SAP implementation in the 2016 reporting year amounted to EUR 2.0 million.

3. Assets and Financial Position

Compared to the previous year, the balance sheet total rose by 2.8% from EUR 868.4 million to EUR 892.5 million.

The increase in the balance sheet total on the assets side is initially due to an increase in the balance sheet position "cash in hand and balances at banks" by EUR 30.9 million, particularly as a result of cash flow from operating activities due to the successful financial year. The first half of the year because of a focus on cost reduction and the cushioning of increased order volumes by high flexibility in the second half of the year. In addition, tangible fixed assets increased by EUR 4.0 million compared to the previous year. Here, the capitalisation related to the construction of the new assembly hall in Obertshausen, Germany, the new development centre in Fukui, Japan, and the construction of the new production facility for cylinders for the DENIM business in Mezzolombardo, Italy, have increased "land, leasehold rights and buildings including buildings on third-party land" by EUR 17.9 million and reduced the position "advance payments and assets under construction" by EUR 9.3 million.

Inventories fell from EUR 162.6 million to EUR 147.6 million, mainly as a result of a programmed reduction in inventories. While raw materials and supplies fell significantly compared to the previous year from EUR 89.4 million to EUR 82.2 million, as did the finished goods and goods purchased for resale compared to the previous year, from EUR 21.5 million to EUR 14.2 million, work in progress is only slightly down on the previous year from EUR 50.5 million to EUR 50.0 million.

Trade receivables and other assets increased slightly by EUR 3.1 million as at the balance sheet date.

Cash and cash equivalents (previous year including short-term securities) amounted to EUR 425.6 million as at 31 December 2016 (prior year: EUR 396.6 million). As in previous years, the company is therefore very financially sound and has sufficient cash and cash equivalents.

Cash flow from operating activities amounted to EUR 66.0 million in the reporting year. Cash flow from investing activities amounted to EUR -22.8 million in the financial year and cash flow from financing activities amounted to EUR -10.4 million.

The Group has high liquidity levels and therefore does not make use of bank financing. Cash and cash at banks as at 31 December 2016, not only cover operating liquidity, but also, as in previous years, the investment of free funds at established bank houses. Trade in speculative securities is strictly prohibited.

The liabilities side of the balance sheet increased in total, was due to the increase in business volume from EUR 30.4 million in the previous year to EUR 47.8 million in the financial year and in advance payments received on orders and the increase in trade accounts payable as at the balance sheet date (from EUR 16.0 million in the previous year to EUR 21.7 million in the financial year). The significant increase in liabilities to shareholders resulted from the retention of profit attributable to the shareholders of the parent company.

In spite of the Group's net profit for the year of EUR 24.1 million, equity was reduced by EUR 54.4 million as a result of the allocation of profit shares to the shareholders' account balances, as well as a reduction in the equity difference from currency translation amounting to EUR 4.9 million.

The equity ratio declined from 84.0% to 75.6% in the financial year as a result of the allocation of profit shares to the shareholders' accounts and the increase in the balance sheet total.

4. Earnings Position

Operating profit decreased from EUR 46.1 million in the previous year to EUR 38.2 million in the financial year. The main reason for the decline in earnings is the significantly lower sales volume (EUR -95.8 million) compared to the previous year. Although the gross profit was also down from EUR 295.2 million to EUR 259.8 million in absolute terms, the gross profit ratio relative to total output rose relatively from 54.7% to 57.2%. This is due to the reduction in the cost of foreign material purchases and improved product margins as a result of changes in the distribution of sales in terms of products and sales countries.

Compared to the previous year, the cost of material expense ratio for purchased services (based on total output) was significantly reduced from 10.2% in the previous year to 7.4% in the financial year. The reason for this was the significantly less external capacity required (especially temporary employees) as a result of the significantly reduced sales volume compared to the previous year.

The decline in other operating income mainly resulted from the falling away of the one-off effects in the previous year from the de-consolidations of KARL MAYER Texile Machinery LTD., Changzhou, China, and American Liba Inc., Piedmont, USA, totalling EUR 11.0 million.

Personnel expenses also reduced significantly from EUR 143.5 million in the previous year to EUR 132.0 million in the financial year. The main reasons for this were the elimination of restructuring expenses in the Technical Textiles Division in the previous year (effect: EUR -4.0 million) and lower wage and salary costs as a result of personnel reductions (effect: EUR -8.2 million).

The financial result declined from EUR 6.7 million in the previous year to EUR 1.6 million due to the weak market interest rates.

Profit before taxes in the financial year of EUR 39.8 million shows a reduction when compared to the previous year of EUR 52.9 million. In the case of consolidated sales of EUR 459.5 million, this shows a profit of 8.7% on sales (Previous year: 9.5%).

The financial year has recorded a consolidated net profit after minority interests of EUR 24.1 million (prior year: EUR 46.2 million).

III. Forecast Report

The 2017 financial year is expected to be a similar year to 2016. Although there are a number of geopolitical uncertainties, the management believes that the sales volume can be maintained on a par with the previous year.

The management plans the introduction of the new SAP system in the company MAYER Textile Machine Corp., Greensboro, USA, for 2017 which has not yet been affected by the changeover; on 1 January 2018, the implementation is planned for KARL MAYER Rotal S.r.l., Mezzolombardo, Italy. In addition, extensive infrastructure measures are planned at the Obertshausen, Germany location. The buildings, which are no longer needed after the construction of the new assembly hall and the modernisation of the production facility, are to be demolished and the free areas are to be cleansed. The aim is to achieve the highest possible surface productivity at the Obertshausen, Germany location.

Including special measures, the Group expects a slight decline in pre-tax earnings in the double-digit millions compared to the current financial year.

Management expects a similar business year to 2017 for the 2018 financial year. The result will continue to be positive in the 2018 financial year, as the extensive investments in the plant, the completed restructuring in the area of technical textiles, and the lean management programs launched in 2015 will bring further improvements in productivity.

IV. Risks and Opportunities

1. Environment / Market Opportunities and Risks

- *Market opportunities and risks*

Due to the proximity to the main markets in China and Southeast Asia, the market shares are maintained at a very high level and can be further expanded. In Turkey and India, as in the previous year, opportunities are being used consistently.

- *Customer opportunities and risks*

A risk concentration on individual customers is of reduced importance. KARL MAYER's business is characterised by a large number of customers, with some decades of business relationships. As in previous years, it was important to cover the export business with collateral. In the financing rules of the company, advance payments and letters of credit transactions (letters of credit) are used in a targeted manner in order to cover the risk of receivable losses. This minimises the risk of bad debts. The creditworthiness with regard to the customer is more important than the generation of revenues. The bad debt provisions as at the balance sheet date cover the actual risk from the management's perspective.

- *Competitor opportunities and risks*

We have been able to generate a significant market share in all areas over the years. With the acquisition of the majority of the shares in LIBA Maschinenfabrik GmbH, Naila (now KARL MAYER Technische Textilien GmbH, Chemnitz) on 1 January, 2014 and the acquisition of the remaining shares in the second half of 2015 and also with the purchase of the knitting business from Santoni SPA, Brescia, Italy, further important steps were taken to defend the position as world market leader, as well as the outstanding importance of KARL MAYER as a high technology provider in the field of knitting machines. The high investments made in previous years as well as the high investments in Germany, Italy and Japan in the financial year help us to withstand the strong competitive pressure of our Chinese competitors and also to secure the market share in Asia and the world as a whole. The extensive investment in the high-tech country of Germany in 2014, 2015 and 2016 also underpins KARL MAYER's claim to be an innovation and technology leader.

- *Currency risks*

Currency futures transactions were concluded to hedge currency risks, which form a valuation unit with the underlying transaction, within the meaning of Sec. 254 of the German Commercial Code (HGB). The Critical Terms Match method was used for all forward exchange transactions within the scope of a prospective effectiveness test. All hedging transactions were fully effective. The disclosure was carried out in all cases using the freezing method. The hedges applied relate to foreign-currency liabilities from procurement transactions and foreign-currency receivables from sales transactions. The foreign currency positions are determined weekly by generating an appropriate open item list from the financial accounting system. The hedging of the risks of changes in values resulting from exchange rate fluctuations is covered with the conclusion of forward exchange transactions, the maturity of which does not normally exceed one year. Currently, only micro-hedge systems are used.

The effectiveness of hedging is checked in the context of Excel evaluations. The forward exchange transactions are exclusively concluded with the company's banking partners.

The management is convinced that there are no risks to the continued existence of the company.

2. Performance related Opportunities and Risks

- *Production*

Production is always able to respond to high capacity fluctuations through flexible working hour accounts and the use of external capacities. After the restructuring in 2009, breakeven was reduced in relation to the sales revenues, so that positive results can be achieved even in crisis periods. Preventative maintenance and replacement investments as well as new investments to the extent required, limit the plant risks. The greatest challenge is to meet market-oriented delivery times in high growth phases, since the number of specific specialists and the supply of some materials from key suppliers can be in temporary short supply.

- *Procurement*

Due to the global nature of procurement as well as permanent optimisation efforts in the procurement market through value analysis, standardisation and regular negotiations with the existing suppliers, the risk of price changes is taken into account as far as possible and this risk is thereby reduced.

- *Sales and Service*

Receivable defaults are minimised through the intensive contact with the customers and through the regular communication between receivables management and sales.

3. Information Technology Opportunities and Risks

KARL MAYER Group is equipped with up-to-date IT equipment. An appropriate number of well qualified employees ensure the necessary availability of the systems. These are supported by qualified consulting firms if necessary. Organisational and IT technical processes prevent data loss and protect the system against unauthorised access.

4. Financial Opportunities and Risks

- *Financial Investments*

The overwhelming majority of money investments are available in the short term and funds invested in the money market. Financial investment risks are of minor importance. There are no speculative money transactions. Derivative financial instruments are used in the companies to hedge foreign exchange items. This reduces to a minimum the risk of fluctuations in cash flows.

- *Capital Structures and Risks*

According to company policy, there are no debt or external borrowing risks. The long-term focus of the business, the excellent branding and the continuous improvement of the delivery spectrum has led to a high equity base over the years. The record year of 2011 together with the good business years from 2012 to 2016 have further strengthened this.

- *Other Financial Opportunities and Risks*

Liquidity risk is kept at a very low level with reference to the above descriptions. In the area of insurance, we focus on hedging the main risks. All necessary types of insurance have been concluded and the premium risk is low. There were no performance risks in 2016.

V. Risk Management

In order to recognise risks in a timely manner, to analyse their causes, to evaluate them and to either avoid or at least to minimise them, the active risk management in the KARL MAYER Group was further expanded.

After the organisational and regulatory framework of the management became valid worldwide in 2012, the implementation and application of the regulations became the focus. For this purpose, extensive training courses were held in the local units during the years 2012 and 2013. In the financial years 2014, 2015 and 2016, assessments were carried out in individual regions, which will be continued in the coming years.

The responsibility for recognising and evaluating risks is distributed within the KARL MAYER Group at the local management level. In almost all of the companies of the KARL MAYER Group, risk assessments were carried out for risk identification and assessment.

Compliance audits were also carried out as an integral part of the risk management. The focus here was on the verification of compliance with legal and company regulations and directives.

Risk assessments and compliance audits take place on an annual basis.

Obertshausen, Germany 24 March 2017

Arno K.-H. Gärtner

Dr. Helmut Preßl

	31.12.2016		31.12.2015
	EUR	EUR	EUR
ntellectual			
rights and assets			
rights and assets	17.631.478		16.155.971
	2.058.910		3.088.365
	814.517		1.398.663
		20.504.905	20.642.999
buildings			
d-party land	92.793.085		74.889.717
	18.346.795		21.970.076
quipment	19.006.774		20.013.876
ıssets under construction	4.268.074		13.550.809
		134.414.728	130.424.478
n investments	94.278.867		93.103.815
	6.405		12.471
	0		105.607
		94.285.272	93.221.893
		249.204.905	244.289.370
s	82.162.253		89.394.696
	49.951.192		50.497.456
ds purchased for resale	14.229.830		21.481.242
	1.225.238		1.223.030
		147.568.513	162.596.424
	43.412.443		37.548.881
	11.483.651		14.279.912
		54.896.094	51.828.793
		0	1.959.412
ıces		425.551.002	394.612.273
		628.015.609	610.996.902

	31.12.2016
	EUR
A. CAPITAL AND RESERVES	
I. Equity share of the limited partners	
II. Capital reserve	
III. Other retained earnings	
IV. Equity difference from currency translation	
V. Retained earnings brought forward	
VI. Consolidated net profit for the year	
VII. Non-controlling interests in equity	
B. PROVISIONS AND ACCRUALS	
1. Provisions for pensions and similar obligations	34.113.645
2. Provisions for taxes	5.751.010
3. Other provisions and accruals	36.567.405
C. LIABILITIES	
1. Payments received on account for orders	47.846.131
2. Trade payables	21.656.745
3. Amounts owed to shareholders	58.286.032
4. Other liabilities	10.874.930
D. DEFERRED INCOME	

Karl Mayer Holding GmbH & Co. KG, Obertshausen, Germany
Consolidated Profit and Loss Account
for the Period from 1 January to 31 December 2016

	2016		Prior year
	EUR	EUR	EUR
1. Sales revenues		459.509.083	555.312.399
2. Decrease in work in progress and finished goods		-5.473.382	-17.181.853
3. Own work capitalised		379.506	2.088.416
Total output		**454.415.207**	**540.218.962**
4. Other operating income		18.486.740	29.319.698
5. Cost of materials			
a) Cost of raw materials and supplies and goods purchased for resale	-179.559.683		-219.390.760
b) Cost of purchased services	-33.567.690		-54.907.666
		-213.127.373	-274.298.426
Gross profit on sales		**259.774.574**	**295.240.234**
6. Personnel expenses			
a) Wages and salaries	-109.941.822		-115.624.998
b) Social security, pensions and other benefits	-22.057.981		-27.905.551
- thereof relating to pensions: EUR 3,036,904 (prior year: EUR 7,897,958)			
		-131.999.803	-143.530.549
7. Amortisation of intangible assets and depreciation of tangible fixed assets		-20.237.975	-19.436.413
8. Other operating expenses		-69.312.367	-86.138.243
Operating result		**38.224.429**	**46.135.029**
9. Income from other long-term loans and investments		20.209	4.987.606
10. Other interest and similar income		3.398.195	4.532.899
11. Amounts written off long-term and short-term investments		-105.645	-52.106
12. Interest and similar expenses		-1.707.054	-2.748.179
Financial result		**1.605.705**	**6.720.220**
Earnings before taxes		**39.830.134**	**52.855.249**
13. Taxes on income and earnings		-15.445.075	-5.332.293
14. Earnings after tax before minority interests		**24.385.059**	**47.522.956**
15. Profit due to other shareholders		-261.920	-1.276.279
16. Consolidated net profit for the year		**24.123.139**	**46.246.677**

KARL MAYER Holding GmbH & Co. KG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year from 1 January to 31 December 2016

A. GENERAL INFORMATION

The registered office of the Company is located in Obertshausen; Germany. The Company is registered at the District Court of Offenbach am Main, Germany under the entry number HRB 8412.

KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany (hereinafter also referred to as the Company) has subsidiaries in China, Hong Kong, Japan, UK, USA, Italy, Switzerland, India and Germany.

The consolidated financial statements for the 2016 financial year have been prepared in compliance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB).

In connection with the redefinition of sales revenues according to the Accounting Directive Implementation Act (BilRUG), the option to restate the corresponding amounts in the previous year's column of the consolidated profit and loss account was used. In this context, amounts from other operating income were reclassified to sales revenues. The reclassification mainly relates to rental income, commission and license income. In addition, due to the discontinuation of the item "extraordinary result", a corresponding adjustment was made to the previous year's figures in the consolidated profit and loss account. In this respect, amounts were reclassified as personnel expenses and other operating expenses. These were social plan costs and restructuring expenses. An explanation of the adjustments to the previous year's figures is provided in the section Notes to the Consolidated Profit and Loss Account.

The item other financial assets reported under financial assets, contains a minority interest in a limited liability company that was written down in full in the 2016 financial year. In the published consolidated financial statements for the previous year, this share of the GmbH was shown as an investment. As the criterion for participation with respect to Sec. 271 HGB has not been fulfilled, the shareholding is reported under other financial assets as at 31 December 2016.

In the published consolidated financial statements for the previous year, a capital reserve of EUR 41.8 million, other retained earnings of EUR 153.0 million arising from the equity consolidation and other retained earnings amounting to EUR 110.8 million were recorded in the consolidated balance sheet. The item "other retained earnings arising from the equity consolidation" included a credit difference from the equity consolidation amounting to EUR 155.3 million. This credit difference had arisen in the 2004 financial year in connection with the contribution of 94% of the shares in KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany to the parent company. In this case, the shares were permitted to be disclosed at acquisition cost which was below the fair value in the annual financial statements of the parent company. The difference arising in the equity consolidation was of a technical nature and was of neutral effect in the earnings reserves as a result of the equity consolidation. However, this amount resulting from a contribution would have had to be included in the capital reserve. In addition, the remaining minority interest of 20% in the former KARL MAYER

LIBA Textilmaschinen GmbH, Naila, (now KARL MAYER Technische Textilien GmbH, Chemnitz, Germany) was acquired by KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany in the 2015 financial year. In connection with this acquisition, the debit difference arising in connection with the equity consolidation amounting to EUR 2.3 million was permitted to be offset against retained earnings (item "retained earnings arising from the equity consolidation"). In the consolidated financial statements as at 31 December 2016, the following corrections have been made in the consolidated balance sheet. The credit difference resulting from the contribution of an investment amounting to EUR 155.3 million has been reclassified to the capital reserve. The previous year's figures were also adjusted. The difference in the amount incurred in connection with the purchase of shares of EUR 2.3 million is offset against the item "other retained earnings".

B. CONSOLIDATION PRINCIPLES

1. Consolidation methods

The consolidated financial statements are based on the annual financial statements of the subsidiaries which are prepared according to uniform rules. The reporting date for the financial statements of the individual companies included within the consolidated financial statements corresponds to the reporting date of the consolidated financial statements. The consolidated financial year is the calendar year.

The initial consolidation of the subsidiaries pursuant to Sec. 301 Para. 2 of the German Commercial Code (HGB) for acquisitions before 1 January 2010 was performed according to the book value method (Sec. 301 Para.1 Sentence 2 no. 1 of the German Commercial Code - HGB), by offsetting the acquisition costs with the parent company's equity held in the subsidiary at the time of the first-time inclusion. The majority of credit differences have arisen when allocating the carrying amounts of the subsidiary with the equity of the respective subsidiary. The capital reserve includes an amount of EUR 155.3 million, which was incurred as part of the contribution of an investment at a value below its fair value. The residual amounts allocated to the other retained earnings represent the earnings accumulated and retained between the date of acquisition and the initial date of inclusion. A debit difference amounting to EUR 2.3 million which arises is included in other retained earnings.

First-time consolidations of subsidiaries which were included in the consolidated financial statements as subsidiaries for the first time for financial years beginning after 31 December 2009, are exclusively performed using the revaluation method.

For all consolidated subsidiaries included in the consolidated financial statements, all receivables and liabilities between these companies were offset against each other. Interim results were eliminated and the consolidation of expenses and income was carried out. Deferred taxes were recorded for temporary differences between the legal and tax values of the balance sheet items resulting from consolidation measures pursuant to Sec. 306 of the German Commercial Code.

2. Scope of the Consolidation

The consolidated financial statements include subsidiaries within the meaning of Sec. 290 Para. 1 of the German Commercial Code (HGB). The respective initial consolidation dates correspond to the date on which the financial statements are included in consolidated financial statements for the first time, provided they are subsidiaries that were consolidated in the 2004 financial year when the consolidated financial statements were prepared for the first time. In the case of companies acquired after 2004, the date of the first-time consolidation was based on the date on which the company became a subsidiary.

In accordance with Sec. 307 Para. 1 of the German Commercial Code (HGB), a separate item for minority interests under the item "non-controlling interests in equity" is included in equity for the non-controlling minority interest in KARL MAYER ROTAL Srl, Mezzolombardo, Italy and KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany.

In addition to the parent company KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany, the following subsidiaries were included in the consolidated financial statements by means of full consolidation:

	Share of equity in %
KARL MAYER ROTAL S.r.l., Mezzolombardo, Italy	89,50
KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany	94,00
KARL MAYER Verwaltungsgesellschaft mbH, Obertshausen, Germany	100,00
NIPPON MAYER Kabushiki Kaisha, Fukui-City, Japan	100,00
KARL MAYER Textile Machinery Ltd., Shepshed, Great Britain	100,00
MAYER Textile Machine Corp., Greensboro, USA	100,00
KARL MAYER TEXTILMASCHINEN AG, Uzwil, Switzerland	100,00
KARL MAYER (H.K.) LTD., Hong Kong	100,00
KARL MAYER (CHINA) LTD., Changzhou City, China	100,00
KARL MAYER India Private Ltd., Mumbai, India	100,00
KARL MAYER Holding Verwaltungs GmbH, Obertshausen, Germany	100,00
KARL MAYER Technische Textilien GmbH, Chemnitz, Germany	100,00

In accordance with the legislation in the UK (section 479A of the Companies Act 2006) the subsidiary KARL MAYER Textile Machinery Ltd., Shepshed, UK, (Company number 00950132, Companies House, UK) makes use of the exemption relating to the mandatory statutory audit for the fiscal year 2016.

C. ACCOUNTING AND VALUATION METHODS

1. Accounting and valuation methods

Currency translation

The consolidated financial statements have been prepared in Euro, the functional currency of the holding company. In accordance with Sec. 308a of the German Commercial Code (HGB), all items of the balance sheet have been converted into Euros with the respective exchange rate as at the balance sheet date, with the exception of equity which is converted using the historical Euro exchange rate. The items in the profit and loss account were translated at the average rate. The resulting differences were presented separately in equity as "Equity difference from currency translation".

Intangible fixed assets

Intangible assets mainly include software licenses and trademark rights acquired for consideration. They are capitalised at their acquisition cost. The majority of the software licenses are amortised on a straight-line basis over five years, while the amortisation of trademark rights takes place on a straight-line basis over five to ten years, and patents are amortised over the individual patent periods between 5 and 13 years. The goodwill resulting from consolidation is related to the initial consolidation of the former LIBA Maschinenfabrik GmbH, Naila (now KARL MAYER Technische Textilien GmbH, Chemnitz) as at 1 January, 2014, and is amortised over five years. Extraordinary amortisation is also recognised if impairment is expected to be permanent.

Tangible fixed assets

Items of tangible fixed assets are capitalised at their acquisition or production cost. In the case of self-constructed fixed assets, the cost of production is determined according to the valuation principles explained in the item inventories. Depreciable items of tangible fixed assets are reduced by depreciation according to the normal useful life. Tangible fixed assets acquired after 31 December 2009 are amortised on a straight-line basis. Tangible fixed assets acquired prior to 1 January 2010, continues to be depreciated on a reducing balance basis. Buildings are depreciated over 10 to 50 years. Plant and machinery are depreciated over 2 to 16 years. Other factory and office equipment is depreciated over 3 to 21 years. Low value goods in accordance with Sec. 6 Para. 2 of the Income Taxes Act (EStG), are fully depreciated in the year of purchase. Extraordinary depreciation is also charged if a permanent impairment is foreseen. When necessary, write-ups are performed.

Financial investments

Financial assets are stated at acquisition cost reduced by extraordinary write-downs if required, where the impairment is expected to be permanent.

Inventories

Inventories are valued at acquisition or production cost, taking into account the principle of lowest value. Costs of production are determined by reference to Sec. 255 Para. 2 Sentence 1 and 2 of the German Commercial Code (HGB). Production costs include material costs, production costs and special costs of production as well as appropriate portions of indirect material costs, indirect production costs and the wear and tear on fixed assets, as far as this is caused by production.

Receivables and other assets

Receivables and other assets are stated at their acquisition costs, with appropriate individual value adjustments being made. Long-term customer receivables which are settled in instalments, were discounted. In addition, a general allowance is recognised for trade receivables on the basis of an analysis of the age structure of the open items.

Capital shares of the limited partners

The share capital of the limited partners correspond to the amount stated in the commercial register. They are paid in full.

Provisions and accruals

Provisions for taxes and other provisions and other accruals are recognised at the settlement amounts that are required by prudent business judgement.

Provisions for pensions, partial retirement and jubilee obligations were subject to actuarial expert opinions based on the 2005 G guideline by Prof. Dr. Klaus Heubeck. The projected unit credit method was used as the calculation method for the pension provisions and the jubilee provisions. The calculation of the pension provision, the retirement period and the jubilee provision are not based on any salary dynamics. The calculation of the jubilee reserve is based on a fluctuation of 2.02%. An increase in annuity from 2.00% or rather 2.50% is included in the calculation of the pension provision. The interest rate used for the discounting of the pension and the jubilee provisions is the interest rate published by the German Federal Bank for the expected useful life of 15 years as at the balance sheet date; this interest rate is 3.22%.

Both direct and indirect pension provisions exist. The interest rate of 4.00% (previous year: 3.89%) was applied in the calculation of the pension provisions. With regard to the determination of the discount rate for the pension provisions, a change in the method has occurred as a result of an amendment to the law. The discount rate used to determine the pension provision is now determined as the average interest rate for the past 10 years instead of the previous 7 years. This change in method results in a lower pension provision by EUR 2.4 million than it would be on the basis of a 7 year average interest rate. Indirect pension obligations of kEUR 2,181 existing through a pension fund are fully recorded.

The German Central Bank interest rates corresponding to the remaining terms which were used for the part-time retirement provision, lie between 0.00% and 1.79%. Since the 2010 financial year, the implementation of the Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungsgesetz* - BilMoG) has resulted in an offsetting of the related "time account reinsurance guarantee" with the personnel provision.

Liabilities

Liabilities are recorded at their settlement amounts.

Current income taxes and deferred taxes

The expenses for current taxes on income and earnings are determined according to the tax regulations and tax rates applicable under national law.

Deferred tax assets and liabilities are determined using the balance sheet based temporary concept. The resulting net deferred tax asset is disclosed in the consolidated balance sheet in accordance with the option allowed under Sec. 274 Para. 1 Sentence 2 of the German Commercial Code (HGB). In addition, deferred taxes resulting from consolidation measures are recognised in accordance with Sec. 306 of the German Commercial Code (HGB). Deferred taxes are calculated using the individual tax rates at the time of the expected reversal of the differences. The Group's tax rates used range between 12.5% and 39.3%. Tax losses carried forward, which are expected to reverse in the next five years, were taken into account in determining deferred tax assets. Deferred tax assets and liabilities were netted.

Foreign exchange items

Assets and liabilities denominated in foreign currencies are converted at the exchange rate at the balance sheet date, in accordance with Sec. 256a of the German Commercial Code (HGB).

Information on the German Reporting Standards

Deviating from Reporting Standard 4, capital consolidation was carried out on the basis of the book value method for acquisitions carried out before 1 January 2010; deviating from Reporting Standard 18, the Notes to the consolidated financial statements do not contain a description of the relationship between expected and recognized tax expenses in the form of a reconciliation statement and, in deviation from Reporting Standard 22, the amount of the accumulated consolidated equity which is available for distributions to the shareholders at the balance sheet date is not disclosed.

2. Notes to the Consolidated Balance Sheet

Fixed assets

The development of fixed assets is shown in the fixed asset movement schedule, which is attached as an annex to the Notes to the consolidated financial statements. The assets held as fixed assets as at the balance sheet date are not subject to any restrictions on disposal.

Other financial assets

This item includes shares in the Company which were subject to extraordinary write-downs in the 2016 financial year due to an expected permanent impairment.

Securities Held as Long-term Investments

This position includes shares in a special fund held by KARL MAYER Verwaltungsgesellschaft mbH, Obertshausen, Germany, and KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany. The units constitute investment funds within the meaning of Sec.1 Para. 10 of the German Investment Portfolio Code. These are shares in an accumulating fund. The purpose of the special fund is the profitable investment of surplus money. The special fund was recorded at its original cost of EUR 82.4 million as at the balance sheet date. The fair value amounted to EUR 83.2 million as at the balance sheet date

Deferred tax assets

The temporary differences refer to differences between the respective tax values and the commercial values (especially relating to pension provisions).

Receivables and other assets

Trade receivables includes amounts of EUR 1.9 million (previous year: EUR 5.1 million) with a residual term of more than one year.

Equity

The credit differences resulting from the equity consolidation pursuant to Sec. 301 Para. 2 of the German Commercial code (HGB) have an equity character. The capital reserve includes an amount of EUR 155.3 million, arising from the equity consolidation in connection with the contribution of an investment at a value lower than the fair value of the investment. The other retained earnings include EUR 110.8 million of credit differences from the equity consolidation, which are based on retained earnings accumulated between the acquisition date and the date of initial inclusion in the consolidated financial statements. The other retained earnings include a debit difference of EUR 2.3 million from the acquisition of shares.

Non-controlling interests

This is the compensating item for taking into account the minority shareholders of KARL MAYER Rotal S.r.l., Mezzolombardo, Italy, (EUR 1.1 million) and the minority shareholder of KARL MAYER Textilmaschinenfabrik GmbH, Obertshausen, Germany (EUR 16.9 million).

Provisions and Accruals

Other provisions and accruals mainly include provisions for personnel, provisions for warranties and guarantees and provisions for outstanding invoices.

The implementation of BilMoG since the 2010 financial year has resulted in an offsetting of the "time account reinsurance guarantee" with the personnel provision. The fair value or the amortised cost of the reinsurance corresponds to the asset value and amounted to kEUR 512 as at 31 December 2016; the net settlement amount of the debts amounted to kEUR 764 as at the balance sheet date. Furthermore, an offset of pension provisions (EUR 6.9 million) with the related plan assets amounting to EUR 4.9 million has been made.

As a result of the use of a discount rate equal to the average of the interest rates of the last 10 years instead of the average of the interest rates of the last 7 years, the provisions for pensions has reduced by EUR 2.4 million.

Liabilities

Other liabilities relate to taxes amounting to kEUR 485 (previous year: kEUR 1,568) and kEUR 540 (previous year: kEUR 503) for social security

Amount in EUR	**Remaining period**			
Liabilities as at 31. December 2016	**< 1 Year**	**> 1 Year**	**Total**	**of which secured**
Payments received on account for orders	47,846,131	0	47,846,131	0
Trade payables	21,621,701	35,044	21,656,745	0
Amounts owed to shareholders	58,286,032	0	58,286,032	0
Other liabilities	10,874,930	0	10,874,930	0
TOTAL	**138,628,794**	**35,044**	**138,663,838**	**0**

Amount in EUR	Remaining period			
Liabilities as at 31. December 2015	< 1 Year	> 1 Year	Total	of which secured
Payments received on account for orders	30,446,193	0	30,446,193	0
Trade payables	15,984,668	48,374	16,033,042	0
Amounts owed to shareholders	2,868,539	0	2,868,539	0
Other liabilities	10,204,322	0	10,204,322	0
TOTAL	**59,503,722**	**48,374**	**59,552,096**	**0**

As in the previous year, liabilities with a residual term of more than 5 years do not exist.

Liabilities to shareholders at the same time represent liabilities to affiliated companies.

Formation of valuation units according to Sec. 254 of the German Commercial Code (HGB)

Underlying transactions	**Book value as at 31.12.2016 in kEUR**
Trade receivables arising from sales transactions	4,293
Trade payables arising from procurement transactions*	8,638

**The total amount includes liabilities from underlying transactions with companies included in the consolidated financial statements amounting to kEUR 8,588, which are eliminated as part of the elimination of intercompany balances.*

The book values of the hedged transactions are covered by forward exchange transactions with a corresponding contract volume. The currency forward transactions are uncompleted transactions. The level of the hedged risks as at 31.12.16 amounts to EUR 487,556.98. In the absence of these hedges, exchange rate losses of this amount would have been booked for the underlying transactions.

The time period of the hedges taken out as at the balance sheet date in which the changes in value occurs is between 1 - 26 months.

3. Notes to the consolidated profit and loss account

Sales revenues

The breakdown of sales revenues by geographic market and by area of activity is as follows:

Amount in EUR Million.	**2016**	**2015**
Domestic	22.9	23.7
EU	50.7	59.1
Rest of the world	385.9	472.6
Total	**459.5**	**555.4**

The product portfolio includes the following four business areas:

Business area	**2016** in %	**2015 in %**
Knitting Machines	67.8	75.6
Preparation of Warp	18.6	16.8
Technical Textiles	13.3	7.0
Component Manufacturing	0.3	0.6
Total	**100.0**	**100.0**

Other operating income

Other operating income includes income of EUR 10.9 million (prior year: EUR 5.5 million) relating to non-period income (in particular from the reversal of write-downs on receivables, income from the disposal of assets and the release of provisions). In addition, income from currency translations of EUR 6.1 million (prior year: EUR 8.0 million) is included under this item.

Other operating income reported in the previous year, which is included in the redefinition of sales revenues pursuant to Art. 75 Para. 2 p. 3 EGHGB, and was reclassified to sales revenues amounted to EUR 1.7 million. Of this, EUR 1.7 million is attributable to domestic sales. These are essentially rental income, commission income and license income.

Other operating expenses

Other operating expenses include non-period expenses amounting to kEUR 1,034 (prior year: kEUR 240). These expenses result in particular from the impairment provision relating to receivables as well as from the loss from the disposal of assets. In addition, there are expenses with respect to currency translation of EUR 4.8 million (prior year: EUR 8.6 million). In addition, the item includes other taxes of EUR 2.5 million (prior year: EUR 3.4 million).

Amounts written off long-term and short-term investments

Extraordinary write-downs of kEUR 106 (prior year: kEUR 0) were made to reflect the lower fair value of financial assets as at the balance sheet date.

Financial result

In accordance with Sec. 277 Para. 5 Sentence 1 of the German Commercial Code (HGB), interest and similar expenses include interest expenses from the compounding of provisions of EUR 1.6 million (prior year: EUR 2.6 million).

Income from plan assets amounting to EUR 0.3 million was offset against corresponding expenses of EUR 0.5 million.

Extraordinary expenses

As part of the implementation of BilRUG, the extraordinary expenses of EUR 6.9 million shown in the profit and loss account of the previous year were reclassified and included within other operating expenses (EUR 2.9 million) as well as in personnel expenses (EUR 4.0 million). These mainly relate to restructuring expenses and social plan costs.

Taxes on income and earnings

Included in the position taxes on income and earnings is income from the change in deferred tax assets amounting to EUR 2.2 million (prior year: EUR 3.6 million). This item includes non-period expenses of EUR 4.2 million.

4. Other disclosures

Employees

In the 2016 financial year, the Group employed on average 2,517 employees (prior year: 2,677).

	2016	Prior year
Production	1.189	1.474
Development and construction	365	368
Administration	833	835
	2.387	2.533
Apprentices	130	134
	2.517	2.677

Contingent liabilities

Repurchase agreements for machines were agreed with two customers amounting to kEUR 784. The risk of recourse from the repurchase agreements is estimated as low, as the two customers have the ability to pay, and no information has been received from the customer regarding their intention to utilise the repurchase agreement.

There are contingent liabilities arising from guarantees to credit institutions amounting to EUR 2.4 million. The contingent liabilities from guarantees have not been shown in the balance sheet, since the underlying obligations are likely to be fulfilled and therefore a claim is not to be expected.

Other financial obligations

Other financial obligations of EUR 11.8 million, which are not recognised in the consolidated balance sheet, relate to commitments arising from rental and lease agreements amounting to EUR 7.2 million, obligations from initiated investment projects of EUR 2.2 million, obligations from future major repairs amounting to EUR 0.1 million, obligations from not yet concluded transactions of EUR 1.9 million as well as obligations from long-term debt amounting to EUR 0.4 million

Information on the cash flow statement

Cash and cash equivalents correspond to the balance sheet item cash in hand and bank balances.

5. Total remuneration of the Group auditor

Amount in kEUR	**2016**
Audit fees	288
Tax advice	246
Other services	3
Total	**537**

6. Managing Directors

The Management is represented by the unlimited partner KARL MAYER Holding Verwaltungs GmbH, Obertshausen, Germany (share capital: kEUR 25), which is in turn represented by its Managing Directors:

Arno K.-H. Gärtner, Karlstein, Germany
Managing Director Technology and Sales, Chairman of the Management Board,

Dr. Helmut Preßl, Neu Isenburg, Germany, Commercial Director

The remuneration of the active managing directors was not disclosed in accordance with Sec. 286 Para. 4 HGB together with Sec. 314 Para. 3 of the German Commercial Code (HGB). Pension payments amounting to EUR 0.6 million were made with respect to former Managing Directors. The amount to be stated in this context pursuant to Sec. 314 no. 6b sentence 2 of the German Commercial Code (HGB) amounts to EUR 9.8 million.

7. Advisory Board

Dr. Peter Drexel, CEO a.D., Chairman of the Advisory Board,

Elke Eckstein, Board member Operations of Weidmüller AG, Detmold, Germany

Peter Edelmann, Managing Partner of Edelmann & Company GmbH, Ulm, Germany

Dr. Klaus F. Erkes, sole General Manager of Zollern-Unternehmensgruppe, Sigmaringendorf, Germany

Dr. Stefan Gilch, member of the Group board, Bystronic Co., Ltd., Shanghai/ China,

Fritz P. Mayer, Managing Director of Fritz P. Mayer Verwaltungs GmbH, Obertshausen, Germany

Suzanne Forker, Managing Director of Elke Mumtaz Verwaltungs GmbH, Obertshausen, Germany.

The remuneration of the Advisory Board amounted to kEUR 381 in the past financial year.

Obertshausen, Germany, 24. March 2017

KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany

- The Management Board -

Arno K.-H. Gärtner Dr. Helmut Preßl

	Balance as at 01.01.2016 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	Currency effect EUR	Balance as at 31.12.2016 EUR	Balance as at 01.01.2016 EUR	Additions EUR	Amortisation/ depreciation charge for the year EUR	Currency effect EUR	Balance as at 31.12.2016 EUR
lectual											
its and assets											
its and assets	37.037.331	5.381.660	-345.925	1.581.813	-183.721	43.471.158	-20.881.360	-5.402.463	345.925	98.218	-25.839.680
	11.349.973	0	0	0	0	11.349.973	-8.261.608	-1.029.455	0	0	-9.291.063
	1.398.663	759.917	0	-1.344.063	0	814.517	0	0	0	0	0
	49.785.967	6.141.577	-345.925	237.750	-183.721	55.635.648	-29.142.968	-6.431.918	345.925	98.218	-35.130.743
ldings											
irty land	142.356.036	12.776.610	-3.323.269	10.314.010	-1.343.332	160.780.055	-67.466.319	-3.096.869	2.674.093	-97.875	-67.986.970
	100.069.183	2.588.277	-16.530.363	857.657	-499.763	86.484.991	-78.099.107	-6.093.517	15.730.729	323.699	-68.138.196
iment	76.277.598	3.370.365	-3.899.062	894.820	-644.033	75.999.688	-56.263.722	-4.615.671	3.590.227	296.252	-56.992.914
ts under construction	13.550.809	2.961.652	0	-12.304.237	59.850	4.268.074	0	0	0	0	0
	332.253.626	21.696.904	-23.752.694	-237.750	-2.427.278	327.532.808	-201.829.148	-13.806.057	21.995.049	522.076	-193.118.080
vestments	93.394.494	346.510	-834	0	680.658	94.420.828	-290.679	-38	834	147.922	-141.961
	12.471	6.000	-12.066	0	0	6.405	0	0	0	0	0
	223.958	0	0	0	0	223.958	-118.351	-105.607	0	0	-223.958
	93.630.923	352.510	-12.900	0	680.658	94.651.191	-409.030	-105.645	834	147.922	-365.919
	475.670.516	28.190.991	-24.111.519	0	-1.930.341	477.819.647	-231.381.146	-20.343.620	22.341.808	768.216	-228.614.742

KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany

Consolidated Statement of Cash Flows for the period from 1 January to 31 December 2016

	2016 EUR
1. Profit for the period (consolidated net profit for the year, including non-controlling interests)	24.385.059
2. Amortisation and depreciation of fixed assets	20.343.621
3. Decrease in provisions and accruals	-7.387.944
4. Decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	14.092.213
5. Increase in trade payables and other liabilities that are not attributable to investing or financing activities	16.464.850
6. Gain from the disposal of fixed assets	-236.346
7. Interest income	-1.711.349
8. Income tax expense	13.323.641
9. Income tax payments	-13.309.280
10. Cash flow from operating activities	**65.964.465**
11. Cash outflow from investments in intangible fixed assets	-6.141.577
12. Cash inflow from the disposal of tangible fixed assets	1.993.991
13. Cash outflow from expenditure on tangible fixed assets	-21.696.904
14. Cash inflow from disposals of financial assets	12.900
15. Cash outflow for investments in financial assets	-352.510
16. Interest received	3.418.403
17. Cash flow from investing activities	**-22.765.697**
18. Interest paid	-366.284
19. Profit share paid to shareholders of the parent company	-10.022.265
20. Cash flow from financing activities	**-10.388.549**
21. Change in cash and cash equivalents	**32.810.219**
22. Exchange rate related changes in cash and cash equivalents	-3.830.902
23. Cash and cash equivalents at the start of the period	**396.571.685**
24. Cash and cash equivalents at the end of the period	**425.551.002**

	Equity share of the limited partners	Reserves: Capital reserve	Reserves: Other retained earnings	Difference in equity from currency translation	Consolidated retained earnings brought forward	Consolidated profit for the year	**Total**	Minority interest
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	204.520,00	**202.039.216,45**	**117.759.240,00**	**32.950.761,76**	**276.565.373,00**	**44.370.283,00**	**673.889.394,21**	**15.974.4**
ɹnts	-	-	-	-	- 14.170.911,00	-	**- 14.170.911,00**	
	-	- 4.896.021,00	- 9.273.279,00	- 9.537.812,00	11.851.034,00	-	**- 11.856.078,00**	510.1
	-	-	-	17.606.398,90	-	-	**17.606.398,90**	
	-	-	-	-	44.370.283,00	- 44.370.283,00	**-**	
	-	-	-	-	-	46.246.677,00	**46.246.677,00**	1.276.2
	204.520,00	**197.143.195,45**	**108.485.961,00**	**41.019.348,66**	**318.615.779,00**	**46.246.677,00**	**711.715.481,11**	**17.760.8**
ɹnts	-	-	-	-	- 73.821.330,00	-	**- 73.821.330,00**	
	-	-	-	- 4.937.865,66	-	-	**- 4.937.865,66**	
	-	-	-	-	46.246.677,00	- 46.246.677,00	**-**	
	-	-	-	-	-	24.123.139,00	**24.123.139,00**	261.9
	204.520,00	**197.143.195,45**	**108.485.961,00**	**36.081.483,00**	**291.041.126,00**	**24.123.139,00**	**657.079.424,45**	**18.022.8**

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany, which comprise the balance sheet, profit and loss account, notes to the consolidated financial statements, consolidated statement of cash flows and the consolidated statement of changes in equity - and the consolidated management report for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net as-sets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report 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 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 the annual financial statements of those entities included in the consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the 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 consolidated financial statements of KARL MAYER Holding GmbH & Co. KG, Obertshausen, Germany, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, Germany, 24 March 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Kreuzburg)	(Funke)
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]